

Crisis Sets Asian Middle Class Adrift

By Mary Jordan
Washington Post Service

SEOUL — The ambulances, the lawyers and the guards with chains swooped into Seoul Christian Hospital without warning one day this summer. They loaded patients onto gurneys and carted them all away, including a semi-conscious little boy who had lain curled and silent in room 3B since his birth nine years ago.

They chained down equipment and locked cabinets and doors. They took away medicine and machines and all the things that had saved lives there, until the economic collapse in South Korea made saving lives too expensive.

When the hospital went bankrupt, all that was left behind was the disbelieving staff: more than 200 nurses and pharmacists and medical aides who had stuck by their patients and their hospital long after their paychecks stopped coming. They were owed an average of \$7,000 each in back wages, and when the owner tried to throw them into the street, they simply sat down, too stunned to move and too scared to face life without a job.

This is what the Asian economic crisis has brought to South Korea. Nearly 100 times a day somewhere in this country, someone's dream — a tennis shoe factory, a corner grocery store, a giant automaker, a promising fashion house, even a hospital — is crushed under the weight of the economic collapse. Unpaid bills are piled too high, the "closed" sign is posted, workers are dumped and the economy slips a little lower.

From the tropical islands of Indonesia to the mountains of Thailand to the factories of South Korea, East Asia's amazing rush to affluence in the last 25 years made life better, safer, more comfortable and more hopeful. But the growth went haywire — and the abrupt crash has shattered the lives of tens of millions of people.

"Every aspect of my life has changed," said Yoon Sung Mook, 32, an X-ray technician who has not seen a paycheck since February and who began sleeping in the hospital lobby when it shut down. "Just about everything is gone, even my friends. I avoid them. It is too embarrassing to go out with an empty wallet."

The emergence of a broadening middle class is evaporating. Millions of newly comfortable people who had decent jobs and good living conditions, who were better educated and living longer than their parents, are slipping

back into worse conditions. Hunger and malnutrition are rising, more and more children are dropping out of school, and child labor is increasing as Asia's miracle dissolves into misery. And those who already were poor are suffering even more.

Relentless waves of bankruptcies and unemployment are battering the region. In Indonesia, there were about 5 million people unemployed last summer. By the end of this year, that number is expected to reach 20 million. Another 1 million have lost jobs in South Korea this year, and 2,000 people a day are losing jobs in Thailand.

Western investors often view the Asian financial crisis in terms of how big a threat it is to the financial markets. But in Asia, the crisis is wrecking so many lives that the focus is not on investment returns but on what some are calling a "class plunge."

"I can't even eat what I want to eat," said Chang Sook Hee, a nurse, as she recalled weekends and fun and how life used to be. Most of the summer, she, too, slept in the dimly lit lobby of the hospital, surrounded by her colleagues — people with college and professional school degrees who used to enjoy expensive vacations but now cannot afford to eat meat or go to the movies.

Until this year, Mrs. Chang had just about everything she wanted, except time. She had two children and a job she adored; she was proud to be elected a union chief. But now her allegiance to her union and her family has created tension. "I have no expectation that it will get better anytime soon," she said.

"I can't even imagine buying clothes for myself. I can't buy gifts for my parents' or my kids' birthday," said Mrs. Chang, 32. When she and the others talk about maybe someday getting the money to eat out, it is no longer about slipping chardonnay at a restaurant with tablecloths — it is more like Chicken McNuggets.

The East Asian middle class is diverse: In poor Indonesia or the villages of Thailand, a successful middle-class person might be defined as one with glass in his windows and cows in his field; in the richer nations of South Korea and Singapore, the middle-class wage-earner drives a reliable car and travels abroad. But the crisis unites them in loss: Whatever these people had, they suddenly have a lot less of it.

In Chiang Mai in northern Thailand, Somjai Klangkai

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North Korea Elects Kim, Dead in '94, as President

Late Father's Title Lets Son Rule as Head of Defense

By Nicholas D. Kristof
New York Times Service

TOKYO — North Korea announced Sunday that it had revised its constitution to make its late "Great Leader," Kim Il Sung, its "eternal president."

Adjusting to the inconvenience of having a president who died four years ago and is thus unable to make policy speeches, the Supreme People's Assembly listened soberly to a tape recording of an address President Kim delivered in 1990.

The upshot of the announcement is that, as expected, President Kim's son Kim Jong Il — the country's longtime "Dear Leader" — will be head of state, based on his position as chairman of the National Defense Commission.

It is not clear how much it will matter that North Korea does not have a living president, for it has already managed with a vacant presidency in the four years since Kim Il Sung died.

There is no doubt that Kim Jong Il controls North Korea firmly and that he could have had the presidency if he had wanted it.

But specialists cite two reasons why he may have preferred to let his late father retain the post.

The first is simply to show respect and piety to the man who founded North Korea half a century ago and ruled it virtually as a god. Though he was often condemned in the West as a dictator, Kim Il Sung seems to have been genuinely revered by many North Koreans, as even defectors usually acknowledge.

"Kim Jong Il needs his father, needs to wear his father's jacket," said Han Park, a scholar of North Korea at the University of Georgia. Mr. Park said that in time Kim Jong Il may gradually emerge and rule more openly on his own.

The second reason why Mr. Kim may have been reluctant to take on the pres-



Kim Jong Il, showing his credentials during the legislative voting.

idency is that it would make him a far more public figure and would oblige him to meet ambassadors and foreign visitors.

Mr. Kim has always been an intensely private figure, a man who virtually never travels or meets foreign visitors.

See KOREA, Page 8

On Rocky Shore, Farewells to Victims of Flight 111

By Steven Pearlstein
Washington Post Service

PEGGY'S COVE, Nova Scotia — On an achingly beautiful late summer day, this rocky coastal village was transformed over the weekend into a granite chapel as a procession of mourners came to bid a final farewell to friends and relatives who perished when Swissair Flight 111 crashed into the sea here.

Many carried wreaths or elaborate bouquets to throw onto the troubled

waters or to place against the simple red-and-white lighthouse meant to bring travelers safely into St. Margaret's Bay.

Several of the groups held small private services on the rock outcrops, aided by clergy and psychologists who have been their constant companions in this most public of grieving processes.

"They are feeling anger, shock and disbelief," said Murielle Provost, head of the Red Cross team. Many had to be supported as they made their way out

to the lighthouse, and paramedics had to be called to assist several mourners.

"Being here today has been calming and comforting," said Claire Mortimer, a nurse from Berkeley, California, whose father and stepmother died aboard Flight 111 as they embarked on what had become a regular late summer trip to France.

Ms. Mortimer's father, John, and stepmother, Hanna, had spent summers along the Atlantic coast in the resort town of Ogunquit, Maine. John

See CRASH, Page 3

'Too Big to Fail' Era Ends for Markets

By Carl Gewirtz
International Herald Tribune

PARIS — The rules of the investing game have changed, making an already risky world more risky.

The redefinition and revaluation of risk worldwide is why investors are so disoriented and why financial markets have become so vulnerable to turmoil as tradable assets — bonds, equities and currencies — come under new scrutiny.

"Too big to fail" — the golden rule guiding the central banks of the Group of Seven — no longer the underlying principle of international finance.

For Russia, "too big" had been modified to "too dangerous." Its nuclear arsenal made it unthinkable that Western governments would allow mere financial problems to push the country into the abyss of internal chaos.

But without warning, in the midst of yet another financial crisis last month, the G-7 simply walked away from Russia and let the

NEWS ANALYSIS

7 simply walked away from Russia and let the

unthinkable happen. The impact is still being played out in bond markets, where interest rates remain uncommonly volatile; in equity markets, where just the volatility of prices alone may cause damage, and in the currency markets, where the dollar suffers as a victim of the flight from risk.

In fact, the group of leading industrialized nations had stated its intention to change the "too big to fail" rule in 1996. After the rescue of U.S. mutual funds in the Mexican peso crisis of 1994-95, the G-7 announced that "investors must bear the consequences of

the decisions they make and should not expect the international community to rescue them when the next sovereign liquidity crisis comes to a head."

Since then, repeated bailouts of Russia appeared to belie the warning.

Events since the new policy was put into practice — the massive repricing of risk and unloading of risky investments and the disruptions these moves create — illuminate the extent to which greed has displaced bankerly caution under the misguided assumption that some players were too big to fail.

Moreover, it was not just the usual suspects — Citibank, Chase Manhattan Corp., Barclays PLC, Bankers Trust Corp., risky lenders as far back as the Third World debt crisis of the early 1980s. A heavy loser this time, for \$110 million, was Republic New York Corp., a AA-rated bank holding company noted for its low-risk profile.

Nous of the 10 banks that have so far admitted to losing a combined \$2 billion has explained how the money was lost.

There are three possibilities. The banks could simply be writing down to

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AGENDA

Akira Kurosawa, Director, Dies at 88

Akira Kurosawa, 88, who personified Japanese movies to most of the world and who was one of the handful of truly important directors that the cinema has produced, died of a stroke Sunday in Tokyo.

Mr. Kurosawa's "Rashomon" reached Western audiences in 1957, when little was known outside Japan about the country's cinema. The film changed that overnight.

He was a perfectionist with a painter's eye for composition, a dancer's sense of movement and a humanist's quiet sensibility. Page 10.



60 AND COUNTING — Mark McGwire cheering on his Cardinals after hitting home run 60, matching Babe Ruth's record. Sammy Sosa reached No. 58. On Monday, McGwire and Sosa will duel in the flesh as the Cubs visit the Cards. Page 21.

Newspaper Prices	
Bahrain	1.00 BD
Malta	55 c
Cyprus	1.00 Cyprus
Denmark	14.00 DKK
Finland	12.00 FM
Gibraltar	2.85 Rep. Ireland
Great Britain	1.90 Saudi Arabia
Egypt	£5.50 S. Africa
Jordan	1.25 JD U.A.E.
Kenya	1.00 KSh. 160 U.S. M.R. (\$1.20)
Kuwait	700 Fils Zimbabwe
	\$m. \$40.00

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'Minefield' for a Hashemite / Can the King's Brother Fill His Shoes?

Jordanians Look Uneasily Toward the Post-Hussein Era

By Douglas Jehl
New York Times Service

KERAK, Jordan — King Hussein has reigned for 45 years, more than twice as long as Ahmed Thneibat has been alive. But now the king is undergoing cancer treatment for the second time in six years, and Mr. Thneibat and other Jordanians are apprehensive about what is to come.

"Rest assured, I am not over and done with yet," King Hussein, 62, said in July in a televised address to his people from the Mayo Clinic in Rochester, Minnesota. But he also left the impression that he was determined to prepare the country for the prospect that he might not return, saying, "There is life and there is an end to life, and that is the way of everyone."

Few in Jordan doubt that power would pass to Crown Prince Hassan, the king's younger brother and closest adviser, who has been the designated heir to the throne for more than three decades. He has been regent in the king's absence, which is expected to last at least until November.

But many Jordanians and foreign observers say they wonder whether the king's brother could prove as successful he has been in guiding Jordan through the kinds of storms that have been a main feature of the country's recent history.

"People are worried; they think there could be trouble," said Mr. Thneibat, 12, who like all but a minority in this close-knit country of 4 million has known no ruler but King Hussein, who took power in 1953 at age 17.

Kerak, a southern city crowned by a crusader fortress, has long been a base of support for the monarchy. But riots broke out here in 1996 over an increase in the price of bread, a reminder that loyalty has limits. Now the public mood is again turning volatile, a result of a crippling water crisis, severe economic problems and rising disillusionment over peace with Israel.

"It's a minefield, and he doesn't have what it takes to cross it safely," said Labib Kamhawi, a prominent human rights campaigner. "He doesn't have the charisma the king had. He doesn't have the broad base of support. And he would take power at a time when the power of the



Agence France Presse

Hashemite dynasty is at a very low ebb."

People close to Prince Hassan say he shares King Hussein's deep commitment to peace with Israel, though it has borne little fruit and has little domestic support. That assessment is shared by most foreign analysts, who say they are confident that the departure of King Hussein would not cause Jordan to back away from promoting a broader settlement of Arab-Israeli disputes.

But diplomats say that the next king may have less latitude to promote the peace, in part because hostility toward Israel has deepened among Jordanians, and in part because the prince has rarely displayed his brother's magnanimous style.

"There's still a great deal of uncertainty about the crown prince," a Western diplomat said. "He's not his brother. He doesn't have a common touch, and he gets his information from briefing papers whereas the king gets his information from the people."

PRINCE Hassan has declined interview requests during the king's illness and has played the role of caretaker, not addressing the doubts about him. But in what may have been an attempt to defuse some criticism, he convened an unusual meeting in late August that included leaders from all of Jordan's political parties, including Islamists who form the main opposition bloc.

At 51, Prince Hassan is nearly 12 years younger than the king, who will turn 63 on Nov. 14. He is described in an official biography as having "constantly served as King Hussein's closest political adviser, deputy and confidant, as well as regent in his absence."

He received a degree in Oriental studies from Christ Church College, Oxford University, and

he has worked tirelessly within Jordan to promote scientific study and better integration of the region's economy. He took part in the negotiations that led to the Jordanian-Israeli peace agreement, met with Benjamin Netanyahu before Mr. Netanyahu was elected Israeli prime minister, and has close ties to most Arab leaders.

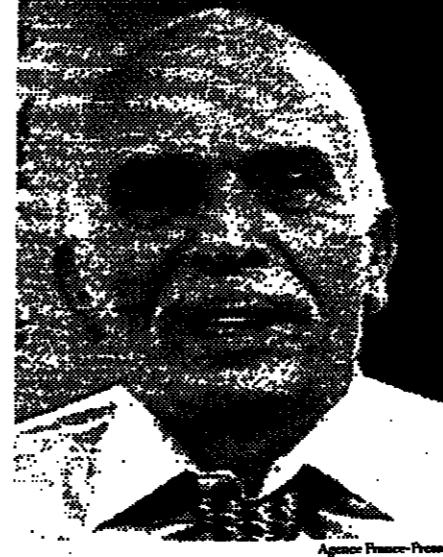
Some of his admirers say that he could not have been expected to show more color as crown prince; his mission, they say, has been to stay in the background.

"He's been in the shadow of a very important historic figure, so it will be prudent to judge him only after he takes center stage," said Mustafa Hamzeh, director of the Center for Strategic Studies at the University of Jordan. But in listing the qualities that have made King Hussein such a dominant figure, most other analysts give prominence to some that are not readily transferable.

"The majority of Jordanians would side with the king even if they think he is wrong," said Fahed Faneck, an economist who is one of Jordan's most popular newspaper columnists. "Ninety percent of the population of Jordan was born after the king took power. They know that he was indispensable in leading the country to safety. So even if they think he was wrong, they give him the benefit of the doubt."

After real cancer in 1992 and a prostate operation in 1997, King Hussein was found this summer to have lymphoma. A statement issued by the Mayo Clinic said that the disease was "highly treatable with chemotherapy," which the king began in July, but it also mentioned a need for plenty of rest.

So far, the king has displayed a vigorous public face, even piloting his jet to Washington after completing the first and second of six scheduled



Agence France Presse

rounds of chemotherapy. Now, two months into what is expected to be at least four months of treatment, Jordanian officials say that he consults daily by telephone with Prince Hassan.

IT WAS the king, Jordanian officials say, who assumed the leading role in orchestrating a change of government in August, replacing a team turned by evidence that its mismanagement was to blame for a water crisis so severe that Saudi Arabia and Syria sent emergency stocks to Jordan.

And while recuperating at his residence in Washington, the king has met with the new government, led by Fayed Tarawneh, a former ambassador to the United States and foreign minister.

In the months ahead, Jordanian officials expect the country's affairs to be administered from Amman, Washington and the Mayo Clinic in Minnesota. But people familiar with the king's health say his resistance to disease has been weakened by the chemotherapy and that it was likely to diminish further as the treatment progressed.

■ Return Unlikely Until Therapy Ends

King Hussein is responding well to treatment but is likely to remain in the United States until the end of his chemotherapy, Reuters reported from Amman, quoting the prime minister.

Mr. Tarawneh said in an interview with the newspaper Al Aswad that the treatment program "suggested the king would stay in America until the completion of all stages of treatment."

Jordan's ambassador to Washington, Marwan Muasher, told the official Jordan News Agency that the king left Washington on Wednesday to start his third round of chemotherapy at the Mayo Clinic. He said the king was in very good spirits.

TRAVEL UPDATE

U.S. Warns of Lesotho Risks

MASERU, Lesotho (AP) — As protesters moved onto the palace grounds of this small mountain kingdom, the U.S. Embassy warned American citizens to use caution.

An embassy official said Saturday the warning was issued after opposition activists had distributed a leaflet saying people in vehicles with foreign license plates would be viewed as their enemy.

Clashes between the police, soldiers and demonstrators on Thursday and Friday resulted in two deaths in which the circumstances were unclear.

Egypt again halted work on a highway running near the Great Pyramids at Giza until international archaeological experts can be consulted, Al Akhbar newspaper reported Sunday. (AP)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Bermuda, Brazil, Canada, Mozambique, Puerto Rico, United States, Virgin Islands.

TUESDAY: Brunei, Liechtenstein, Lithuania, Macedonia, Malta.

WEDNESDAY: Tajikistan.

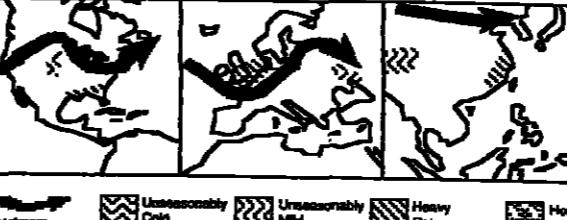
THURSDAY: Belize, Gibraltar.

FRIDAY: Bahrain, Chile, Ethiopia, Pakistan, Saudi Arabia.

Sources: J.P. Morgan, Bloomberg, Reuters.

WEATHER

Forecast for Tuesday through Thursday, as provided by AccuWeather.



Europe

Today	High	Low	Wind	Tomorrow	High	Low	Wind
Algiers	27/10	18/14	C/C	26/10	20/14	C/C	C/C
Antwerp	27/10	14/07	C/C	26/10	14/07	C/C	C/C
Athens	28/10	22/11	C/C	27/10	22/11	C/C	C/C
Baku	28/10	22/11	C/C	27/10	22/11	C/C	C/C
Belgrade	27/10	12/05	C/C	26/10	12/05	C/C	C/C
Berlin	28/10	14/05	C/C	27/10	14/05	C/C	C/C
Bordeaux	27/10	14/05	C/C	26/10	14/05	C/C	C/C
Budapest	27/10	C/C	27/10	14/05	C/C	C/C	
Copenhagen	27/10	14/05	C/C	27/10	14/05	C/C	C/C
Dubai	28/10	14/05	C/C	27/10	14/05	C/C	C/C
Dresden	27/10	14/05	C/C	26/10	14/05	C/C	C/C
Dublin	27/10	14/05	C/C	26/10	14/05	C/C	C/C
Durban	27/10	14/05	C/C	26/10	14/05	C/C	C/C
Edinburgh	27/10	14/05	C/C	26/10	14/05	C/C	C/C
Edmonton	27/10	14/05	C/C	26/10	14/05	C/C	C/C
Glasgow	27/10	14/05	C/C	26/10	14/05	C/C	C/C
Helsinki	27/10	14/05	C/C	26/10	14/05	C/C	C/C
Hiroshima	27/10	14/05	C/C	26/10	14/05	C/C	C/C
Iceland	27/10	14/05	C/C	26/10	14/05	C/C	C/C
London	27/10	14/05	C/C	26/10	14/05	C/C	C/C
Lisbon	29/10	14/05	C/C	28/10	14/05	C/C	C/C
Ljubljana	28/10	14/05	C/C	27/10	14/05	C/C	C/C
London	28/10	14/05	C/C	27/10	14/05	C/C	C/C
Madrid	28/10	14/05	C/C	27/10	14/05	C/C	C/C
Milan	28/10	14/05	C/C	27/10	14/05	C/C	C/C
Moscow	27/10	14/05	C/C	26/10	14/05	C/C	C/C
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Naples	28/10	14/05	C/C	27/10	14/05	C/C	C/C
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Prague	27/10	14/05	C/C	26/10	14/05	C/C	C/C
Rome	28/10	14/05	C/C	27/10	14/05	C/C	C/C
Riga	28/10	14/05	C/C	27/10	14/05	C/C	C/C
Rome	28/10	14/05	C/C	27/10	14/05	C/C	C/C
Stockholm	28/10	14/05	C/C	27/10	14/05	C/C	C/C
Tbilisi	27/10	14/05	C/C	26/10	14/05	C/C	C/C
Tokyo	27/10	14/05	C/C	26/10	14/05	C/C	C/C
Vilnius	27/10	14/05	C/C	26/10	14/05	C/C	C/C
Vienna	27/10	14/05	C/C	26/10	14/05	C/C	C/C
Warsaw	27/10	14/05	C/C	26/10	14/05	C/C	C/C
Zurich	27/10	14/05	C/C	26/10	14/05	C/C	C/C

Legend: -clear, +partly cloudy, c-cloudy, sh-showers, h-hail, s-snow, l-fog, m-mist, n-near zero, H-W-westerlies.

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North America

Tanzanians Detain Pair Suspects in Embassy Bl

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INTERNATIONAL HERALD TRIBUNE, MONDAY, SEPTEMBER 7, 1998

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THE AMERICAS

White House Braces for a Sexually Explicit Report by Starr to Congress

By Susan Schmidt
Washington Post Service

WASHINGTON — The White House is bracing for a punishing report to Congress from Kenneth Starr, the independent counsel, that some of President Bill Clinton's advisers have now concluded will be more sexually explicit, and possibly more politically damaging, as a result of his grand jury testimony last month.

At least six of Mr. Starr's prosecutors have been rushing to write a 300-page report on possible impeachable offenses arising from the Monica Lewinsky investigation, knowledgeable sources said. Mr. Starr is expected to be ready to send it to Congress in the next several weeks.

Some White House aides and outside advisers to the president said privately in recent days that they were more con-

cerned than ever about what Mr. Starr would include in his report because of Mr. Clinton's Aug. 17 grand jury testimony and his televised speech that evening. They worry that the president handed Mr. Starr new ammunition for perjury allegations — and grounds to include ramshackle details about his sexual encounters with Ms. Lewinsky — by claiming that his earlier testimony denying "sexual relations" with Ms. Lewinsky was "legally accurate."

As Mr. Clinton returned to Washington after almost three weeks out of town, the impending delivery of Mr. Starr's report to the election-year Congress is all but certain to dominate the White House's agenda. Some of his advisers are convinced that Mr. Starr will now see fit to spell out not only the times and places of the sexual encounters but also explicit details in order to charge that the president knowingly lied

in his Jan. 17 deposition in the Paula Jones lawsuit and that he engaged in acts that were covered even by his own interpretation of the Jones case's definition of sexual relations.

"The report is going to be blistering," said an adviser trying to prepare a defense strategy for Mr. Clinton. "It's going to connect every dot and draw every negative inference. It's going to say his actions have tarnished not only him but his office."

Another adviser, predicting a "devastating" report, called Mr. Clinton's decision to deny that he lied in the Jones case "tragic." This adviser and several others faulted the president and his personal lawyer, David Kendall, for a legal strategy that they said now all but required Mr. Starr to detail sex acts in or near the Oval Office.

But people who agree with Mr. Kendall's approach said Mr. Clinton's tor-

tured definition of sexual relations was a necessary defense against the serious accusation of perjury in the Jones case.

Some Clinton advisers privately have voiced concerns that details about unsavory and even odd sexual behavior could be included in the report, making the allegations against Mr. Clinton more difficult for Democrats to defend even as the White House prepares for battle over the interpretation of every fact.

But there are other presidential advisers who believe that Mr. Starr would only help their cause if he fills his report with lurid sexual details, arguing that such a move would ultimately create sympathy for the president. Already, the White House is trying to make the case that Mr. Starr is motivated by vindictiveness and is trying to compensate for the lack of evidence of obstruction of justice by titillating the public.

Mr. Clinton told the grand jury that he

had an inappropriate physical relationship with Ms. Lewinsky but, without providing an explanation, said that his Jan. 17 deposition denying "sexual relations" — and saying he could not recall them ever having been alone together — was not perjury.

Mr. Clinton was asked during his grand jury testimony whether he believed certain sex acts were covered by the Jones definition: Intercourse was covered, but oral sex was not, he said. But Mr. Clinton refused to answer questions about whether he engaged in any specific sex acts with Ms. Lewinsky.

Lawyers familiar with her testimony have said that Ms. Lewinsky told the grand jury that, in addition to oral sex, she and Mr. Clinton engaged in other sexual activities covered by the Jones definition, including touching and fondling.

About a half-dozen associate independent counsels have been drafting sec-

tions of the lengthy Starr report. People knowledgeable about the operation said that Mr. Starr, his deputies and other lawyers in the office are reviewing and editing the material. The report will include exculpatory and well as incriminating information, those sources said. Voluminous attachments, including transcripts of grand jury testimony and other evidence, will accompany the report.

The House, which will return from its summer recess this week, has yet to determine the procedure for the Judiciary Committee's inquiry when the report arrives later this month.

Mr. Starr is almost certain to limit his report to the Lewinsky investigation, sources said. His office considered but decided against including all investigative findings on other aspects of the four-year Starr investigation, though that material could be sent later if Congress requests it.



Dan Burton, Republican of Indiana. "Enough is enough," he said of reports on his private life.

Clinton Critic Admits to Having Illegitimate Son

By Edward Walsh
Washington Post Service

WASHINGTON — Representative Dan Burton of Indiana, one of President Bill Clinton's most persistent and combative critics, has acknowledged that he is the father of a child who was born out of wedlock.

In a written statement issued to the Indianapolis Star and News, Mr. Burton, chairman of the House Government Reform and Oversight Committee, said he was making the disclosure to end harassment of the child's mother and others by news organizations.

"There was a relationship many

years ago from which a child was born," Mr. Burton said in the statement. "I am the father. With my wife's knowledge, I have fulfilled my responsibilities as the father."

"I'm not going to talk any more about my personal life," the Indiana Republican added. "I've hurt some people that I love very much. Enough is enough."

The Indianapolis paper reported that Mr. Burton had the extramarital relationship and fathered the child in the early 1980s, when he was a member of the Indiana Senate and the woman worked for a state agency.

The newspaper said the woman, who is married, and her teenage son

live in central Indiana but did not disclose their names or exact location.

Mr. Burton's admission ended days of intense speculation. Earlier last week, the Indianapolis paper reported that Mr. Burton had been warning people in his district, which includes parts of Indianapolis and its northern suburbs, that Vanity Fair magazine was about to publish a "scandal story" about his personal life.

Mr. Burton is one of the most conservative Republicans in the House and, as chairman of the committee that has been investigating campaign finance abuses, one of Mr. Clinton's most dogged pursuers. In April he called the president "a scumbag" and said that was why he was "out to get" Mr. Clinton.

The disclosure comes as Mr. Burton and his House colleagues await a report from the independent counsel, Kenneth Starr, on Mr. Clinton's admitted sexual relationship with Monica Lewinsky, a former White House intern.

Some Republicans have warned that the White House planned a "scorched earth" defense, delving into the private lives of congressional Republicans as a way to shield Mr. Clinton from the consequences of the scandal. The White House has denied any such intention.

POLITICAL NOTES

House Panel Seeks Wide Powers

WASHINGTON — The House Judiciary Committee is asking for unprecedented powers exempting the panel from many long-standing House rules as it reviews President Bill Clinton's conduct in the Monica Lewinsky scandal, congressional sources said, a move opposed by Democrats and greeted warily by some Republicans.

As the two parties begin negotiating over how to handle the upcoming report by Kenneth Starr, the independent counsel, about possible impeachable offenses, Committee Republicans, the sources said, were requesting a broad mandate that could even allow the panel to cite witnesses for contempt without having to secure a vote of the full House to do so. But Democrats are already complaining about what one called "nearly unchecked powers," and some leading Republicans are also concerned. (WP)

More Testimony From Tripp

WASHINGTON — Linda Tripp, whose secret tape recordings launched the perjury and obstruction-of-justice probe of the president, has provided grand jury testimony about at least two other matters under investigation, according to court papers. These are the 1993 firings in the White House travel office and the White House acquisition of confidential FBI files on former Reagan and Bush administration employees. (WP)

Quote/Unquote

Carter Eskew, a Democratic political consultant, arguing that while voters were disgusted by adultery, they were also angered by people who dredge it up, and that therefore most political candidates would not risk airing opponents' sexual secrets: "In the end it's mutual assured destruction. So it won't happen." (NYT)

Away From Politics

In an extraordinary turn of events in a murder case, Chicago prosecutors have dropped charges against two boys, aged 7 and 8, who had been accused of killing an 11-year-old girl by hitting her with rocks and suffocating her. The case was dismissed after laboratory analysts found semen on the girl's underwear. The boys were deemed too young to be the source. (NYT)

The controversial Million Youth March in New York City ended in a melee as hundreds of police officers in riot gear rushed the rally's speaking platform when the event ran over its time period. The officers were pelted with chairs, bottles and metal barricades. (WP)

With arrests over the weekend of two cruise ship employees as their vessel docked in Manhattan, law enforcement officials revealed the existence of a drug ring that used ocean liners to funnel cocaine, hashish and marijuana via New York City to Bermuda. (NYT)

6 Minutes Before Crash, Last Word

Homing Device to One of Swissair Jet's Recorders Is Detected

By Matthew L. Wald
New York Times Service

HALIFAX, Nova Scotia — The crew of the Swissair jet that crashed here Wednesday night had stopped responding to air traffic controllers about six minutes before the plane, an MD-11 with 229 people on board, hit the water, investigators said.

The investigators also said that they had detected the homing device from one of the plane's "black boxes," either the cockpit voice recorder or the flight data recorder.

[Divers plunged into the frigid northern Atlantic at dawn Sunday searching for the flight data recorders, Reuters reported. Captain Phil Webster of the Canadian Navy said the Canadian submarine HMCS Okanagan had detected a transponder signal from one of the black boxes at a depth of 190 feet, or 58 meters.]

The chief investigator, Vic Ger-

den, said that shortly after the plane's last radio transmission, in which a crew member told a controller at the Moncton Area Control Center, "We have to land immediately," the plane's transponder stopped working. That piece of equipment transmits the plane's identity and altitude to controllers.

The plane, with 215 passengers and a crew of 14, plunged into the sea at 10:30 Wednesday night, about 40 miles (65 kilometers) from Halifax airport, killing everyone aboard.

The brief excerpts of the conversations between a controller in Moncton and the crew were made public here Saturday night. Someone on the plane, either the captain or the first officer, tells the controller, "We are declaring an emergency at time zero one two four.

The crew member added, "We are starting vent now. We have to land immediately."

Asked why the transponder stopped working, he said that the failure might indicate "some electrical issue, potentially."

In response to a question about the tone of the crew members' voices, Mr. Gerden said that it had changed in the course of the 10 minutes, probably indicating that they had put on oxygen masks.

"He gives smoke, but we really don't know what density of smoke, what amount," Mr. Gerden said.

In a briefing that lasted more than an hour, Mr. Gerden gave a limited chronology of the last few minutes of the flight, beginning at a point about 70 nautical miles from Halifax.

The plane, under the control of the Moncton Center, radioed in: "Swissair 111 heavy is declaring panne-panne-panne." ("Panne" is the French word for breakdown.) "We have smoke in the cockpit, request deviate immediate right turn to a convenient place. I guess Boston." ("Heavy" refers to a large aircraft.)

Advised that the plane was 300 nautical miles from Boston, the crew readily agreed to go to Halifax, but when told that the airport was just 30 miles away, the pilot said: "We need more than 30 miles."

The controller then told the plane



Two relatives of victims of Swissair Flight 111 walking together along the rugged Atlantic shoreline near Peggy's Cove, Nova Scotia.

to turn left in order to lose altitude.

Mr. Gerden said he would have experts analyze whether it was possible to drop from the 33,000-foot cruising altitude to the runway, which is not far above sea level, in the 30 miles remaining.

Another problem, he said, was weight.

"The aircraft at that point, about that time, had a weight of about 230 metric tons," he said. It could not land weighing more than 200 metric tons, he said.

CRASH: Relatives Bid Final Farewell

Continued from Page 1

wanted his family to celebrate his life while he was alive and was more important than if we made it to his funeral or memorial service," his daughter recalled.

Another mourner was Tim Larson, of East Hartford, Connecticut.

"Most of us are now resigned that our loved ones are with God ... and now we're relieved that we're here," Mr. Larson said. His wife's uncle, the physician Victor Rizza, 58, and Mr. Rizza's son Nino, 14,

were returning home to Sicily after five weeks in the United States.

Mr. Larson and the other 500 or so relatives had already been told what many had begun to suspect — that the force of the crash was so tremendous that there were no recognizable remains. Blood relatives of the passengers have been asked to donate small amounts of blood that can be used by DNA testers to identify the body parts that have washed ashore or been retrieved from the Atlantic. That process could take months to complete.

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Incumbent Cancels Event With President

By Charles Babington and Donald P. Baker
Washington Post Service

WASHINGTON — Governor Parris Glendening of Maryland has firmly distanced himself from President Bill Clinton, canceling a fund-raiser with the president that once promised to provide hundreds of thousands of dollars for the Democratic governor's tough re-election bid.

With private polls and analysts telling him that Mr. Clinton's appeal is sagging dramatically among some Maryland voters, Mr. Glendening offered his sharpest criticism yet of the president but declined to say whether Congress should censure him.

The blow stung, party officials said, because Maryland is a strongly Democratic state and Mr. Glendening had aligned himself closely with the president and defended him initially in the Monica Lewinsky scan-

dal. Mr. Glendening told reporters over the weekend that his campaign and the White House had "mutual dis-

agreements" that led to canceling plans for Mr. Clinton to be the host at a \$1,000-per-person fund-raiser for the governor at an undetermined site Oct. 2.

Glendening campaign insiders said they had difficulty selling tickets to the fund-raiser. They also feared the event could backfire on the governor if it coincided with arrival at Congress of the long-awaited report by the independent counsel, Kenneth Starr, which may include new allegations of presidential wrongdoing.

Mr. Clinton's "actions were wrong, inappropriate and demanding of a sincere, major apology," Mr. Glendening said Friday. "We have an 18-year-old son, and we try to teach him to be responsible for his actions, and you need models in terms of how to do that and this makes it even worse."

Mr. Glendening is not the only Democratic candidate suddenly wary of Mr. Clinton. Several prominent New York candidates recently urged the president to delay a Manhattan fund-raiser scheduled for Sept. 14, the night before the Democratic primary.

"This kind of adversity is always unimagined in advance," Mr. Glendening said.

Mr. Clinton relied less on advisers during his overseas trip. As he prepared for his Moscow news conference with President Boris Yeltsin, aides said that they spent barely five minutes discussing how to respond to any questions on Ms. Lewinsky.

Mr. Clinton's mood evolved dramatically through the trip. In Russia, where Hillary Rodham Clinton appeared distant during joint events, the president seemed downbeat.

His speech to students at Moscow University was flat and generated lukewarm applause. His answers at the news conference with Mr. Yeltsin were soft and sullen.

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ASIA/PACIFIC

Malaysia Worries Over Mahathir's SuccessionBy Thomas Fuller
International Herald Tribune

KUALA LUMPUR — Until recently, Malaysian officials had a stock response to businessmen asking why they should invest here instead of in other countries in the region. They would say that unlike many of its neighbors, Malaysia was stable. The country had a clear successor to Prime Minister Mahathir bin Mohamad.

All that changed last week with the abrupt dismissal of Mr. Mahathir's deputy, Anwar Ibrahim, a man who had come so close to being the country's top politician that for two months last year while Mr. Mahathir was traveling outside the country Mr. Anwar was given the title of acting prime minister.

Now, not only is Malaysia without a clear successor to Mr. Mahathir, but the prime minister, 73, has said he will not choose a new deputy until a party election in the middle of next year. In the meantime Malaysia is facing its most serious economic crisis since independence from Britain 41 years ago.

Other countries in the region — notably Thailand, Indonesia and South Korea — have selected new leaders since the onset of the economic crisis.

Allies of Mr. Mahathir — Asia's longest-serving leader — are now asking out loud whether he has taken on more than he can handle by firing Mr. Anwar and personally taking over the Finance Ministry last week.

"My view is that whoever wants to be minister of finance — that's a full-time job," Dain Zainuddin, a former finance minister and longtime friend of Mr. Mahathir's, told a group of foreign reporters Friday.

"Dr. Mahathir will find that it is going to be very tough to be minister of finance, prime minister and minister of home affairs," he said, referring to the prime minister's current portfolio.

"Every decision made is going to affect the nation," he said of the job of finance minister. "One wrong move — that's it. The whole economy may go down."

Mr. Dain, who was brought into the cabinet in June as a minister of "special functions," is the country's

most successful businessman and is not believed to harbor larger political ambitions.

He said he felt "very tired" in his job planning strategies for combating the economic crisis, a post which Mr. Mahathir asked him to take.

Appointing a new finance minister is a difficult move for Mr. Mahathir because whoever is appointed to the powerful post may be perceived to be the prime minister's successor.

It's a decision, analysts say, that Mr. Mahathir may not be ready to make — partly because there are no obvious choices among the country's political leadership.

In the 17 years Mr. Mahathir has been at the helm, strong-willed politicians in Malaysia have either agreed with the prime minister's policies or been shown the door.

"In his private moments I think Dr. Mahathir feels very disappointed and sad," said a source close to the government who insisted on anonymity.

"He knows that time is limited for him. And the only person who could have taken over from him and got

respect is Anwar," the source added. In private conversations, politicians and analysts still wonder exactly why Mr. Anwar was fired.

He is under investigation by the police over allegations of campaign financing, sedition and sexual indiscretion. But Mr. Mahathir has refused to offer reasons for the firing, saying that the decision was made by the governing political party — tantalizing Malaysians into thinking that perhaps there was a yet unspoken reason for the move.

"We do not have to give any explanation over the matter," Mr. Mahathir said. "We find him not suitable — that is all."

The timing of the move against Mr. Anwar was also peculiar. It came as the country was preparing to host later this week thousands of athletes and spectators coming to Kuala Lumpur for the Commonwealth Games.

More importantly, Mr. Anwar's firing came two days after the country embarked on a radical experiment, banning the use of its currency outside its borders and fixing it at 3.8 to the dollar, thereby insulating its small, trade-dependent economy from the world's currency markets.

The new currency regime — closely watched by other countries hit by the economic crisis — will require constant adjustments and monitoring, central bank officials say. Yet Malaysia has no full-time finance minister and no central bank governor; Ahmad Mohamed Don, an ally of Mr. Anwar's, held the latter post before resigning in protest against the currency controls. His deputy left with him.

■ Seoul Unsure About Satellite

South Korea said Sunday that it still could not verify or deny the North's claim that it had launched a scientific satellite. The Associated Press reported from Seoul.

"It has not been determined yet what North Korea did exactly — a missile firing or a satellite launch," said the chief presidential spokesman, Park Jie Won.

"We're closely cooperating and exchanging information with the United States and Japan to determine the truth of the North Korean claim," he said.

While North Korea said its satellite

would promote "scientific research for peaceful use of outer space," officials in Washington said the rocket firing potentially represented a dangerous breakthrough in the country's efforts to build longer-range missiles.

■ Brother Arrested, Anwar Says

Mr. Anwar said Sunday that Malaysian authorities had arrested his adopted brother in an apparent crackdown, and he vowed anew to begin a nationwide tour this week to plead for political reform, Reuters reported.

"I have some information that my adopted brother has been arrested and I think in one or two days' time my secretary, Azmin, will be arrested too," Mr. Anwar told a group of more than 1,000 supporters just outside his home. "They should take me away. Don't harass my staff, my supporters and my family."

**Lament of Ethnic Chinese:
'Always the Scapegoats'**

Poorer Members of the Jakarta Community, Unable to Emigrate, Live in Fear of New Riots

By Seth Mydans
New York Times Service

than 200 million, ethnic Chinese are the nation's trading class, from shopkeepers to billionaire managers of multinational conglomerates, and they control as much as 70 percent of Indonesia's private economy.

An angry backlash among overseas Chinese elsewhere in Asia could do long-term damage if this economically powerful group elects to take its business elsewhere.

In one of the most concerted political actions this loose-knit international community has ever taken in recent years, ethnic Chinese have staged protests in Hong Kong, Taiwan, the Philippines and the United States, as well as in China itself.

Their anger against Indonesia has been inflamed by reports that organized groups of rioters engaged not only in the burning and looting of Chinese-owned shops but also in the systematic humiliation and rape of ethnic Chinese women.

"Indonesia: Rapist Capital of the World," read a banner at a recent demonstration in the Philippines.

Human rights groups and women's shelters here in the capital, Jakarta, have reported that more than 150 women and girls were raped in the rioting last May. They say 20 of these women died as the result of the assaults, some by suicide.

But their reports have been undermined by a failure to bring forward any victim who could give a firsthand account — and by what now appear to be slipshod methods of collecting data. Also, there may have been a disinformation campaign in the distribution of horrifying but inauthentic photographs of purported victims.

Although human rights investigators stand by their accounts, saying the victims were too traumatized to talk publicly, these lapses have opened room for doubt.

Women's Affairs Minister Tutty Alawi, one of the leaders of a government investigation into the reported rapes, said: "The team has been conducting an investigation for one-and-a-half months now but has found no woman who fell victim to gang rape or who claimed to have been raped during the May riots."

A North Korean Claim Gains ValidityBy Steven Lee Myers
New York Times Service

WASHINGTON — The United States now believes it is possible that North Korea succeeded in putting a satellite into orbit when it fired a multistage rocket over Japan a week ago, officials said over the weekend, retreating from their initial assessment that the launch was a missile test alone.

The trajectory of the rocket and other characteristics of its flight lend some credibility to North Korea's claim Friday that it had launched its first satellite into space, a U.S. government official said.

"It's possible they put something out there," the official said.

The U.S. Space Command, at Peterson Air Force Base in Colorado, has been scouring the skies in search of the satellite, which the official

news agency of North Korea said is circling the planet every 2 hours and 45 minutes. But a spokesman for the U.S. observation force, Commander David Knox, said Saturday that there was still no confirmation of a satellite.

After North Korea fired a multistage rocket Aug. 31, U.S. military and intelligence officials said they had closely monitored preparations for the launch. They said the rocket was a two-stage ballistic missile, called the Taepodong-1, that North Korea had had under development for years.

The United States has protested the launch during talks with a North Korean delegation in New York City.

Those talks, which have covered a range of issues including Pyongyang's missile and nuclear programs, continued over the weekend.

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would promote "scientific research for peaceful use of outer space," officials in Washington said the rocket firing potentially represented a dangerous breakthrough in the country's efforts to build longer-range missiles.

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opinion shared by journalists, academics, motor manufacturers but more importantly, drivers around the world. Because although GDI may be the engine of tomorrow you can actually drive it today. Hundreds of thousands of people already are.

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EDITORIALS/OPINION

Herald Tribune
INTERNATIONAL
PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST**Clinton's Troubles Deepen**

The statement by Senator Joseph Lieberman of Connecticut on his long-time friend and political ally, Bill Clinton, answers a deeply felt requirement for a substantial political figure to speak openly about the sources of the president's distress. Ideally, that figure would be the president himself. Unfortunately, he is not yet at a point where political calculation and the manipulation of words are missing from his self-critiques. But Mr. Lieberman is at a different place. He commands a degree of personal credibility and moral authority that now allow him to speak truth about Mr. Clinton's relationship with a White House intern.

Much remains to be worked out on how Congress will and should respond to the Clinton scandal, but Mr. Lieberman has done what needed to be done at this moment. He has set a moral example. He has put first things first. At once he drew support on the Senate floor from two other estimable Democrats, Bob Kerrey and Daniel Patrick Moynihan.

Mr. Lieberman described the president's relationship with Monica Lewinsky as not just inappropriate (Mr.

—THE WASHINGTON POST.

Desperate Russia

Desperate political circumstances help explain the contradictory economic program proposed on Friday by Russia's acting prime minister, Viktor Chernomyrdin. But it is hard to imagine how its successive phases of hyper-inflationary expansion and ironclad austerity could possibly work. Russia needs daring economic boldness, but this plan comes dangerously close to incoherence.

The initial, expansionary measures reflect Mr. Chernomyrdin's urgent need for support from Communist and other anti-reform members of Parliament when his nomination comes up for a second confirmation vote this week. In a first test, last Monday, he was defeated, 233-94. If he loses three times, Parliament must be dissolved and new elections called. That is a risk that most Russian politicians, including President Boris Yeltsin and Mr. Chernomyrdin, would prefer to avoid right now. The economy is close to imploding, and after two weeks with no government at all Russia desperately requires some political stability.

But if Mr. Chernomyrdin's new program is the price he has to pay for that stability, it is alarmingly high. Urgently needed reform measures are pushed off for at least four months.

—THE NEW YORK TIMES.

Rape in Genocide

The guilty verdict that the war crimes tribunal for Rwanda pronounced on Jean-Paul Akayesu last week was the first judgment for the crime of genocide under international law. In making rape part of Akayesu's genocide conviction, the decision also advances the world's legal treatment of rape and sexual violence.

Akayesu, who is due to be sentenced later this month, was not accused of carrying out rapes or killings himself. The court found that as mayor of the city of Taba in 1994 he ordered his Tutsi neighbors, including children. He also encouraged and ordered the rape and murder of Tutsi women in a cultural center he controlled.

—THE NEW YORK TIMES.

Other Comment
'Great Uncertainty'

From Wall Street to East Africa and the Kremlin, recent events demonstrate that the United States needs a strong, vigorous chief executive who is on top of issues and prepared to deal firmly with the next crisis. Unfortunately, we have a president who has been damaged politically by a sex scandal and his dishonest and clumsy handling of it.

While Akayesu's conviction completed the first full trial for genocide, a former Rwandan prime minister, Jean Kambanda, pleaded guilty to genocide on May 1. On Friday he was sentenced to life in prison, the maximum punishment at the tribunal.

The greater impact of the court's Akayesu decision will likely be seen in the area of rape and sexual violence. The court declared that rape may constitute genocide if committed with intent to destroy a particular group. In this case, Tutsi women were raped to increase their suffering before they were killed.

The court also issued the first definition of rape under international law. It called rape "a physical invasion of a sexual nature, committed on a person under circumstances which are coercive."

Coercive circumstances need not include physical force, the court said. The definition is concise and broad enough to be a good guide, enabling courts to prosecute rape more easily in the future.

When charges were first brought against Akayesu, rape was not among

—Los Angeles Times.

A Real Crisis Encounters Real Inertia in Japan

By Steven R. Weisman

PARIS — The frantic U.S. efforts to get Japan to act boldly to cure its financial crisis remind me of the time my mother got sick in Japan and was rushed to the hospital, where the Japanese doctors' best attempts to reassure her went awry.

As the doctors called for a battery of sophisticated tests, my mother mistakenly assumed that they were following the U.S. practice of testing only when something worrisome is suspected. Visibly anxious, she asked what was wrong. The doctors thought she was doubting their thoroughness, so they ordered even more tests. The more the doctors tried to reassure my mother, the worse she felt.

Queried later in Dublin, Mr. Clinton, notching up his candor a word at a time, said for the first time he was "sorry" about "it." He and his spokesman suggested that the Lieberman statement had simply brought the senator abreast of the president's own private introspection on the Lewinsky matter.

This is an evident distortion.

Mr. Lieberman has spoken with a clarity and a sense of public devotion that, on the evidence, are still alien to the president. These qualities are, nonetheless,

the ones President Clinton still must find in himself if he is to make the best of his unhappy situation.

—THE WASHINGTON POST.

are likely to keep its economy moribund and prevent recovery throughout Asia, possibly leading to a financial collapse that will make the recent turmoil in world markets look like a warm-up. Indeed, as Kenneth Courtis of Deutsche Bank has noted, Japan is more internationally isolated today than at any time since the 1930s.

Japan's problems are summed up in the career of Kiichi Miyazawa, the 78-year-old former prime minister brought in by the new prime minister, Keizo Obuchi, to oversee the economy.

Sharp, charming and unflappable, as anyone who watched him cradle a sick President George Bush in his arms in 1991 will long remember, Mr. Miyazawa began his career as a young Finance Ministry bureaucrat after the war who resented being lectured by General Douglas MacArthur. In his memoirs he wrote that "it may be hard for young people today to understand how unpleasant it was to live under the occupation." Any such person is unlikely to listen to American lectures, even during a crisis.

Washington and Wall Street worry that Japan's anemic financial policies

who have gone on to wield power in business and politics tend instinctively to look out for the ministry's interests.

Mr. Miyazawa superintends these interests at the Liberal Democratic Party, which has dominated Japan for nearly all of the last 45 years. Like the old saying about the Holy Roman Empire being neither holy nor Roman nor an empire, the ruling party is not liberal or democratic.

It is less a party than a collection of special interests, from farmers to small businesses, giant corporations and organized crime, who supply money and resources to the party in return for its protection. That circle of self-interest serves as a powerful shield against demands for change.

Moreover, Japanese officials are still debating the criteria for auditing the nation's ailing banks — a bit late, considering that this is the seventh year of the Japanese slump. Tokyo has acknowledged bad debts of \$350 billion, but U.S. officials and private experts say they actually approach \$1 trillion.

Japanese inaction goes beyond the cultural to the political. Those in power in Japan have a strong vested interest in the status quo. The all-powerful Finance Ministry has no desire to shed control over the economy. Like Mr. Miyazawa, Finance Ministry alumni

The New York Times.

Greenspan's Federal Reserve Could Help, but Don't Count on It

By James Galbraith

AUSTIN, Texas — Bill Clinton declared in Moscow last week that America's "fundamental economic policy is sound." But he does not control fundamental economic policy. Alan Greenspan does.

Under Mr. Greenspan's chairmanship, the Federal Reserve has done nothing for 18 months. During that time the dollar has risen, Asian financial markets have collapsed and Russia has defaulted. U.S. manufacturing, hard hit by falling exports, has been slumping for three months. If doing nothing was the right policy a year ago, it is not right now.

Today the world financial and political situation and the U.S. economy demand interest rate cuts in order to stabilize financial markets, lighten debt burdens and support economic growth. What happens next

will depend, above all, on whether we get them.

If the Fed does nothing, U.S. economic growth will probably continue to slow down. Recession risks, which were very low a year ago, are rising.

If recession does strike, unemployment will increase, inequality will worsen, the budget deficit will return and this president and this Congress, together, will suffer fatal damage at home and abroad.

If the Fed does nothing, there will be no stabilization in Asia.

Capital will not return. Capital controls will become inevitable; in Malaysia they have already begun to be imposed.

With neither funding nor fundamental internal reform, the IMF's influence will collapse. China's prestige in Asia will rise. The Iranian model, theocratic and isolated, may

spread. On the Korean Peninsula, Southern crisis and Northern famine are an explosive mix. What might happen there, and on the nuclear frontiers of Kashmir, is anyone's guess.

In Russia the situation is worse still. What we in the West call "reform" is dead. Capitalism has failed. Leaders whose survival will depend on force may soon return to power. Civil war (the first in a nuclear power) is a real possibility.

America may soon come to see its "victory" in the Cold War as hollow, and its 1980s squeezing of the old Soviet Union as having been an act not of statecraft, but of shortsightedness and folly.

The IMF has been useless in this crisis; in most countries, its stale orthodoxies have made things worse. It may be that financial instability can be

quelled only by new, regional institutions, effectively replacing the IMF, as indeed the new European Central Bank will do for Europe, and as Japan proposed last year.

So far, the Asian crisis, the Russian default, the IMF's impotence, the U.S. stock market slump and the U.S. slowdown bear a frightening resemblance to the early stages of the collapse of world capitalism that began in 1930. Just as that moment signaled an end of illusions, we have now seen the end of the long victory party that followed the Cold War.

Mr. Greenspan cannot, by himself, rescue Russia or Asia by cutting interest rates. But he and the Fed might be able to keep the U.S. economy out of a slump for another year.

In this way he would buy time for Mr. Clinton and Congress to acknowledge that larger problems exist. He can

send a signal that these problems are serious, that they require forceful action, not the banalities uttered by Mr. Clinton in Russia.

Will the Fed act, forcefully and in time? The historical record has always been too little, too late. Mr. Greenspan is hesitating. Hard-line Fed anti-inflationists, resolutely facing the wrong way, will obstruct interest rate cuts. Congress could force the Fed to cut rates, but I suspect that it lacks the will and the wit.

The White House and Treasury stand silently by. Frankly, prospects are bleak.

The writer, who teaches economics at the LBJ School of Public Affairs at the University of Texas at Austin, is author of "Created Unequal: The Crisis in American Pay." He contributed this comment to The Washington Post.

NATO Should Arrest the Serbian Offensive in Kosovo

By William Pfaff

PARIS — Western policy for Kosovo has been paralyzed by a choice between alternatives that each seemed to lead toward disaster.

The first was to tolerate Slobodan Milosevic's police and military campaign to intimidate, punish, expel from their homes and make refugees of the ethnic Albanian population of Kosovo, so as to block their independence claims.

The other choice was a NATO military intervention, inevitably open to interpretation as support for the newly emerged guerrilla campaign to create an independent Kosovo, and indeed a greater Albania."

Intervention, it was feared, might touch off an irredentist movement among the Albanian minority in Macedonia which might then encompass Albania itself, provoking a regional crisis implicating Greece and Turkey.

Thanks to this dilemma, and to the habile cunning, combined with ruthlessness, which has made Slobodan Milosevic the man he is, the West has lost

influence over Yugoslav events.

The West backed restored autonomy for the ethnic Albanians of Kosovo, within the Yugoslav state. It supported the nonviolent leader, Ibrahim Rugova, who was unofficially elected "president" by the Kosovars following their loss of autonomy in 1989.

Current U.S. policy is officially described as being to combine humanitarian aid with pressure for negotiations, under the threat of NATO action. Alas, there are no meaningful negotiations, and are not likely to be while NATO does not act.

Negotiations have proved fruitless, not only because of Mr. Milosevic's obduracy but because the Kosovo Liberation Army, which demands complete independence, rejects Mr. Rugova's pacific leadership, and has yet to reveal its own leaders or to demonstrate any interest in compromise.

It also has been driving the ethnic Serb minority out of their homes in Kosovo. The Liber-

ation Army's evident aim, responding to Mr. Milosevic's policy of ethnic cleansing on behalf of the Serbs, seems to be an ethnically cleansed Albanian Kosovo.

What is happening is desperately bad, but it is so bad that it has transformed, and promises to greatly simplify, the West's policy choices.

The extent and brutality of the repression launched against the Kosovars more than two months ago has created a situation in which all of the feared regional consequences are going to arrive whatever NATO does. Hence there is no longer any reason for NATO not to intervene against Mr. Milosevic, and there are strengthened reasons for doing so.

At the very least, some 200,000 ethnic Albanians have been driven from their homes, with these homes, and often their whole villages, subsequently destroyed through military action. Winter arrives by October. These people now, mostly, have

nowhere to go in Kosovo. Camps, they are going to force their way into Macedonia and Albania. Therefore the crisis will automatically be extended to the wider region.

Given that this is so, it would seem far better for NATO to act now to halt the Yugoslav military offensive in Kosovo. Mr. Milosevic should go back on the list of international war criminals, where then U.S. Secretary of State Lawrence Eagleburger put him in 1992 (from which list he was later excused, when he was thought indispensable to a Bosnia settlement).

By attacking the ethnic Albanian minority in his own country, forcing increasing numbers of them into exile, Mr. Milosevic has made an internal Yugoslav affair a matter for legitimate international attention and action.

There should be intense Western diplomatic efforts in Greece, Albania and Turkey to prepare for and contain the developing crisis, together with relief measures and political action in Albania and Macedonia to anticipate and control the Kosovars' exodus. NATO has leverage in all of these countries, and the job is not an impossible one.

This is not a happy prospect,

but it means positive action to dominate a foreseeable crisis and to promote a new order in Serbia — whose government has been at the source of the Balkan crisis of the past decade.

This is much better than witnessing, passively, still another Balkan tragedy.

International Herald Tribune.
Los Angeles Times Syndicate.

So Much for Clinton's Big Plan

By Richard Reeves

LOS ANGELES — In most ways, Bill Clinton and the late Richard Nixon, the extrovert and the introvert, are as different as two men could be. But in one critical public way they are the same. Both were on track to realign American politics, but each destroyed that possibility of change.

Mr. Nixon's dream was to create a new party of the center bringing together moderate Republicans and conservative Democrats from the South and from the ethnic neighborhoods of Northern cities and working class suburbs. That was the idea behind his private plans to dump his vice president, Spiro Agnew and run with a Democrat, John Connally, in 1972, or to endorse and promote Mr. Connally as his successor in 1976 or 1980.

Mr. Nixon thought that he could be the father of a new politics isolating Democratic liberals and some of their conservative Republican friends.

With some slips and slides to the left in his first two years, Mr. Clinton was doing something similar. The difference was that by this time the South had become Republican and he was peeling off more moderate Republicans to create a coalition of the center to marginalize both the most liberal

Democrats and the most conservative Republicans.

Watergate crushed Mr. Nixon's scheme. Any chance that Mr. Clinton had ended last Thursday when Joseph Lieberman of Connecticut rose in the Senate to say that the private conduct of his old friend and ideological partner, the president, was "inappropriate ... immoral."

Mr. Lieberman's denunciation was joined then by two of the least predictable of the Democrats, Bob Dole of Nebraska and Daniel Patrick Moynihan of New York. Oh, the irony. One of the first mistakes made in the Clinton White House in 1993 was denigrating Mr. Moynihan.

If you remember, back then an unnamed White House source was quoted in Time magazine saying of the New Yorker: "He's not one of us. ... He's cantankerous, but he couldn't obstruct us even if he wanted to. We'll roll right over him if we have to."

The world turns. Mr. Moynihan is still standing. Mr. Clinton has a gift for triggering outrage among those who thought they were his best friends. In 1993 and

Universal Press Syndicate.

great tremors in the Far East, and in the wild whirl of speculation the values of the mark go on falling on a catastrophic scale. The new ruthless policy of the Stroessner Cabinet, which was widely advertised as the only salvation of the country, has encountered insurmountable obstacles and crumpled into a mass of wreckage.

1948: Barrel of Fun

NIAGARA FALLS, Ontario — William "Red" Hill Jr., a veteran riverman, navigated the whirlpool rapids just below Niagara Falls yesterday (Sept. 5) in a 1,000-pound steel barrel resembling an oversize hot-water heater. Mr. Hill slipped into the water in a quiet cove about a mile below the cataract at 3:40 p.m. Four-and-a-half hours later, at darkness fell, he reached his destination at Queenston, Ontario, seven miles downstream. He wasn't even scratched.

1923: Mark Slumps

BERLIN — The German financial world is suffering more violent shocks than ever, as though they were a counterpart of the

Herald Tribune

ESTABLISHED 1887

KATHARINE

in Japan

In have come up with a request and political will is hard to find for the project. Mr. Miyazawa, who is a member of the Diet, which has determinedly all of the costs, says he is leaving about the time the decision is being made next year to ensure the entire project is not delayed.

It is also a party that is working to influence the Japanese government's foreign corporation's nationalistic drive, which may be a factor in the plan's failure. That is, the self-reliance is a power of influence and a tool for change.

Add to all this the fact the Japanese are in the majority of the Japanese, it is easy to see why it is difficult. I have been trying to end the summit, but I am still far from the final stage. It is not my intention to do so. The world's economy is at a standstill right now. Brazil, Russia, China, superpowers, during short deep recessions, due to the economic crisis.

Count on It

Send a copy of this page to your friends and family members, that they can quote from in action. It is a reminder of what is being done by Mr. Miyazawa.

Well, the last act, today, and in time, the historical could have been best left too late. My company's

staying. My company's

the world's

international

the world's

INTERNATIONAL

U.S. Aborted Plan for Raid in Afghanistan to Capture Saudi Terror SponsorBy James Risen
New York Times Service

WASHINGTON — U.S. intelligence officials drew up secret plans last spring for a covert raid to capture Osama bin Laden in Afghanistan, according to senior U.S. government officials.

The officials said the planning began after U.S. military, intelligence and law-enforcement officials concluded they had ample evidence linking Mr. bin Laden to a series of anti-American terrorist attacks in recent years.

The plan, developed by the Central Intelligence Agency and U.S. special forces months before the August bombings of two U.S. embassies, called for U.S. forces to remove the Saudi millionaire from Afghanistan and bring him to justice in the United States.

White House officials were aware of the mission, which was ultimately shelved by the director of central intelligence, George Tenet, and other senior officials because of the high risks involved. Those included the potential

for many casualties among Americans and innocent Afghans.

But Clinton administration officials said they were still working to develop a broad range of other options aimed at Mr. bin Laden or to dismantle his terrorist network when bombs exploded Aug. 7 at two East African embassies, killing 263 people, among them 12 Americans.

The officials' accounts of the covert planning add a new dimension to President Bill Clinton's decision to launch a cruise missile attack against Mr. bin Laden's training camps in Afghanistan and a pharmaceutical factory in Sudan with suspected links to Mr. bin Laden's efforts to obtain chemical weapons.

The administration has presented the cruise missile attack as an instance of Mr. Clinton's decisiveness in the face of terrorism. Swift retaliation was ordered, an administration spokesman said, because the evidence linking Mr. bin Laden to the bombing had come together quickly and unequivocally and because the United States had received information that he might strike again.

Mr. bin Laden, a Saudi exile who lives in Afghanistan, has publicly announced his plans to attack Americans, and U.S. authorities believe he directed the embassy bombings. But in fact, officials now acknowledge, intelligence and military officials were convinced long before the bombings that an attack against Mr. bin Laden was justified. The bombings in Africa and the speed with which investigators linked them to operatives working for the Saudi exile, officials say, gave crucial political impetus to those already advocating a counterstrike.

The precise timing and motivation of the cruise missile attack has raised questions, with some of Mr. Clinton's critics suggesting that he might have acted quickly to distract attention from his personal problems.

U.S. officials point to the fact that long-term planning against Mr. bin Laden was under way at the time of the embassy bombings as evidence that the cruise missile attack was not hastily improvised by the White House because of domestic political calculations. "These

things take a long time to plan and work out," an official said.

Yet Mr. Clinton and his top aides have generally been cautious about the use of military force and have turned down other proposed covert raids to capture suspects overseas.

In 1997, in fact, the CIA and special forces abandoned a plan to arrest Radovan Karadzic, the former Bosnian Serb leader charged with war crimes, after failing to win high-level approval for the covert operation.

The cruise missile strikes against Afghanistan and Sudan were a much lower risk than the proposed raid against Mr. bin Laden and did not result in any American casualties. But it also did not bring Mr. bin Laden to heel. Administration officials said that while some other terrorists were killed in the Afghan strike, Mr. bin Laden escaped unscathed.

Planning of the cruise missile operation was handled by a small circle of Mr. Clinton's closest national security aides and remains shrouded in secrecy. But several administration officials

agreed to describe how — in their view — Mr. bin Laden has become, over the last several years, the most serious threat facing American interests.

As early as 1993, in fact, federal officials say, Mr. bin Laden had become the subject of FBI scrutiny after the New York World Trade Center bombing.

In 1995, a back-channel meeting was held between U.S. and Sudanese officials in Europe, during which the U.S. officials warned the Sudanese that evicting Mr. bin Laden was one of several preconditions their government would have to meet before gaining international legitimacy.

A year later, Mr. bin Laden left Sudan for Afghanistan, but U.S. officials insist that Sudanese leaders never severed their ties to him.

By 1996, Mr. bin Laden had emerged as the leading target of the CIA's Counterterrorism Center, the government's central clearinghouse for intelligence on terrorists. He was named in a secret presidential covert action order on terrorism signed by Mr. Clinton that au-

thorized intelligence agencies to plan and carry out covert operations that might lead to some deaths.

U.S. officials are barred by executive order from planning an assassination. But a "lethal" presidential order, or finding, is a recognition that the action contemplated could lead to some of those involved being killed. Such a finding would permit Mr. bin Laden's inadvertent death in a military operation against his network.

To track his activities, the National Security Agency's eavesdropping satellites were used to listen in on conversations of his operatives throughout the world, while spy satellites that take photographs from space allowed CIA analysts to monitor his training camps.

With so many intelligence resources targeted against Mr. bin Laden, CIA analysts were able to determine that in January he held a meeting with leading members of his network to prepare for a new wave of terrorism. He soon publicly announced his intentions when he issued a *fatwa* or edict, calling on Muslims to kill Americans.

"There were reams of intel documenting bin Laden before the embassy bombings in East Africa, a U.S. official said. Another official said, "We've had the book on this guy for a long time."

At some point in this period — officials declined to specify when — federal prosecutors in New York obtained a sealed indictment that charged him with terrorism crimes. In April, the chief U.S. delegate to the United Nations, Bill Richardson, traveled to Afghanistan and called on the Taliban, the fundamentalist movement that controls most of the country, to extradite him. The Taliban refused, and U.S. officials apparently abandoned diplomatic efforts to negotiate the handing over of Mr. bin Laden.

At the time of Mr. Richardson's talks with the Taliban, criminal charges had not yet been formally issued against Mr. bin Laden in the United States, but federal prosecutors in New York were already working on a criminal case against him, officials said.

Federal prosecutors later did obtain a sealed indictment against Mr. bin Laden from a New York grand jury charging him with terrorist crimes. The indictment, returned in the months before the Aug. 7 embassy bombings in Africa, would have provided the legal basis for Mr. bin Laden's capture and arrest.

Also in this period, military and intelligence officials began drawing up plans either to capture Mr. bin Laden or to deal a blow to his network through other options under consideration.

While those plans received high-level attention, officials caution that it is not clear that any of them were ready to be carried out before the terrorist attacks in Africa. As a result, officials stressed that there is no sense of regret among policymakers that they waited too long to go after Mr. bin Laden.



Wolfgang Gerhardt, left, leader of the Free Democratic Party, before an election rally Sunday in Berlin.

the election are Sept. 27. October 1990. He had acquired an image as an adroit political manager, party arm-twister, conciliator and rising star, respected even outside his own party.

In Mr. Schaeuble's relationship with Mr. Kohl, there is something of the good cop-bad cop. "Kohl for the heart, Schaeuble for the mind," Michael Backhaus wrote in the Berliner Morgenpost.

There is one way that Mr. Schaeuble could emerge as Germany's leader carlone.

Kohl's Crown Prince Shines in the Polls

Many Wonder: Would Wolfgang Schaeuble Have Been a Better Choice?

By Alan Cowell
New York Times Service

BONN — In dire straits, a political party taps its most popular figure to lead the campaign to cling to power. Right?

Wrong, at least in Germany.

As this country heads for a national election on Sept. 27 that will chart its course into the 21st century, the focus for many people is on whether Chancellor Helmut Kohl — Europe's most durable statesman — will survive.

Behind him, though, there is a figure far less known outside Germany, but just as familiar to Germans, Wolfgang Schaeuble. He is distinguished not simply because he is the only leading German politician to operate from a wheelchair, but also because the same opinion surveys that forecast defeat for Mr. Kohl define Mr. Schaeuble as the man who would have been most likely to succeed in a head-to-head challenge with Gerhard Schroeder, the opposition contender for power in the election.

The reform-minded and energetic Mr. Schaeuble is Mr. Kohl's crown prince, a loyalist since the 1970s within the dominant Christian Democratic Party. He was anointed by the chancellor last year as his favored heir and has given sharp-tongued responses to those who doubt his energies or suggest that physical disability might thwart ambition.

"Can a cripple become chancellor?" he asked bluntly in an interview last

year, suggesting that he might seek the position at some point despite the disability imposed on him by an assailant in 1990. "I probably would not resist the temptation."

Indeed, many inside and outside Mr. Kohl's party have suggested that Mr. Schaeuble should have been the Christian Democrat to meet the most serious challenge from the opposition Social Democratic Party in years. During the campaign, the underlying rivalry between the men has bubbled forth in what seemed a brutal put-down by Mr. Kohl.

Not long ago, Mr. Schaeuble delicately but unmistakably addressed an issue that underpins German political calculations: Is Mr. Kohl campaigning with a secret agenda in mind, seeking re-election as a short-term chancellor, only to hand over to Mr. Schaeuble if he wins?

"I am a candidate for this legislative period," Mr. Kohl snapped back, referring to the four-year terms to which German voters are usually heir. "Full stop, finish, over," he said. His reasoning is that, as he said in earlier remarks, "I can do it best."

But at 68, Mr. Kohl also seems to be running against generational currents that would give Mr. Schaeuble, 56, an edge in the contest with the Social Democrat challenger, Mr. Schroeder, who is 54.

So what does Mr. Schaeuble think? The answers, provided in an interview in his parliamentary office before the latest brouhaha, indicate that the crown prince

is torn, neither easy in the role Mr. Kohl has marked out for him nor prepared for the ultimate disloyalty to his mentor.

"A leader who has ruled for 16 years has a certain appearance of tiredness, but there are a lot of arguments that speak for Kohl at a time when many of my compatriots are fearful of change," he said, evoking the fatigue factor that many Christian Democrats prefer not to mention in public discussions of Mr. Kohl.

But "if you look at all the arguments, then you come to the conclusion that it was right to have Kohl," Mr. Schaeuble said, suggesting more of an internal debate over the candidacy than had been publicly known.

Mr. Schaeuble's wheelchair is seen by some analysts as an obstacle to popular acceptance of him in the top job. Others maintain that the force of his personality offsets any doubts.

"The disability has brought positive sympathies," said Richard Hilmel, a poll taker in Berlin. "And what's recognizable from opinion surveys is that there's no hesitation about having a disabled person as chancellor."

Mr. Schaeuble has been paralyzed from the waist down since he was shot on Oct. 12, 1990, by Dieter Kanfmann, who thought he was being persecuted by the government.

A fast-talking politician, educated in law and economics, Mr. Schaeuble had played a high-profile role in negotiating the terms of German reunification in

legitimacy not from institutions but from the bloodline of the previous ruler.

The official KCNA press agency described the move Sunday as "a historic event and great jubilee of the nation, which gives a definite guarantee for certain victory in the revolutionary struggle of the Korean people."

South Korea, for its part, urged Mr. Kim to be "responsible" and to stop building up his country's armed forces at a time when many North Koreans are starving.

The announcements over the weekend, and the consolidation of power by Kim Jong Il, ends the four-year interregnum left by the death of Kim Il Sung.

Most analysts expect few immediate changes because Mr. Kim has been running North Korea since his father's death. But some say that the coronation of a new king permits the country to experiment carefully with new policies.

Kinkel Assails A U.S. Envoy Over Kosovo

Continued from Page 1

SALZBURG, Austria — Foreign Minister Klaus Kinkel of Germany lashed out Sunday at the U.S. special envoy for the Kosovo crisis, Christopher Hill, rebuffing his accusations that Europe was indifferent to the fate of the Serbian province and its ethnic Albanians in their struggle for independence.

Angered by criticism from the American diplomat, who has shuttled between the Yugoslav negotiators and the Kosovo Albanians in search of peace, Mr. Kinkel berated Mr. Hill for a "cynical and condescending" attack unworthy of an ambassador.

Mr. Hill is the U.S. ambassador to Macedonia but has taken on the Kosovo problem as well.

The German foreign minister said that the European Union ought to appoint its own "special envoy to Kosovo, la Hill," to help achieve a settlement to the seven-month-old conflict.

"I think we can and must show the flag down there much more," Mr. Kinkel told reporters at a meeting of EU foreign ministers. It is "not right," he said, for Europe to leave the field alone to Mr. Hill.

In a speech Friday in the United States, Mr. Hill charged that EU governments were indifferent to Kosovo and content to congratulate themselves on forging so-called "united Europe" that conveniently leaves out the troublesome Balkans.

"We are not the world's policemen," Mr. Kinkel snapped in reaction.

He insisted that no one who had witnessed Europe's tremendous efforts in troops and investment to bring peace to Bosnia should cast doubt on the EU's commitment to Balkan peace and stability.

Mr. Kinkel said he was exasperated by constant criticism of the EU for not resolving all the world's conflicts.

"Such crises cannot be resolved from one day to the next," he said, likening Kosovo to Congo or Sudan. "We need a bit of patience."

EU Air Curb Approved

Three months after the European Union said it would halt commercial flights to the two Yugoslavia members — Serbia and Montenegro — the measure was finally approved Sunday when Greece dropped its last-minute reservations. The Associated Press reported from Salzburg.

KOREA: Kim Il Sung, Dead for Four Years, Is Elected 'Eternal President' in the North

Continued from Page 1

charisma or power from the air of mystery that surrounds him.

North Koreans are expected to continue to focus their cult of personality on the father, whose face continues to adorn the badges worn by nearly every adult North Korean.

The president of that presidium will be Kim Yong Nam, the previous foreign minister, a man who has no power base of his own but is experienced in diplomacy.

Kim Yong Nam, who is unrelated to Kim Jong Il (Kim is the most common Korean family name, held by 22 percent of all Koreans), is now ranked No. 2 in North Korea's hierarchy.

It is not clear why Kim Jong Il is so reluctant to meet foreigners and appear in the public eye. But a top North Korean official who defected to the South, Hwang Jang Yop, has argued that Kim Jong Il believes that he deserves some

legitimacy not from institutions but from the bloodline of the previous ruler.

The official KCNA press agency described the move Sunday as "a historic event and great jubilee of the nation, which gives a definite guarantee for certain victory in the revolutionary struggle of the Korean people."

South Korea, for its part, urged Mr. Kim to be "responsible" and to stop building up his country's armed forces at a time when many North Koreans are starving.

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ASIANS: Economic Crisis Shatters Lives as It Hits Middle Class

Continued from Page 1

worked six years in a cigarette factory and did not consider herself poor. But she and 100 others who used to turn tobacco leaves into cigarettes lost everything almost overnight when the factory shut down. She is selling her possessions one by one to keep going. She is down to one hen.

"You sell whatever you have. If you have chickens, you sell chickens. If you have rabbits, you sell rabbits," she said, adding to the chorus of people who say it is humiliating and depressing to go from comfort to need overnight. "I cried. I tried to commit suicide. I wanted to escape from this world."

The crash has exposed how vulnerable people were. Many borrowed far more than they had saved, so office clerks, bank tellers and construction and factory workers who had grown accus-

tomed to nightclubs and cellular telephones had little to fall back on. In a matter of weeks they slid from a good life to borrowing to pay for groceries and sleeping on the mats and floors of relatives to avoid paying rent.

"For the last 30 years, it was growth, growth, new jobs, new jobs, so people all became middle class," said Kim Young Jin, president of Jindo Corp. in Seoul, a once-thriving company that makes commercial shipping containers. In the last year, Mr. Kim has had to lay off 1,100 of his 1,700 workers. "Now it is really miserable. There is no middle class. These people are all lower class."

The dozens of hospital employees living in the lobby of the Seoul Christian Hospital have slipped from comfort to desperation in one year. Some of them are camped out in the quixotic hope that if they just stay put, maybe they will get the money they are owed. And more

importantly, maybe they will get their old jobs back and re-enter their lost lives as if nothing had happened.

The first attempts at quantifying the human suffering in terms of school dropouts and child labor, rising medical problems, poverty and hunger are now being made by the World Bank, Oxfam and other international relief organizations and the individual countries themselves. In interviews with those conducting the surveys, all indications are that the human aftershocks of the crisis have been underestimated.

"It's no longer a question of whether the region will recover in one year or two, but whether the recovery will come in 5 or 10 years," said Charles Morrison, president of the East-West Center.

NEXT: Children in Asia have seen their world transformed in a matter of weeks.

patch from Pakistan. "It has thousands of fighters exiled in Iran and all it has to do is return them and rearm them," he said.

Only Pakistan, the United Arab Emirates and Saudi Arabia recognize the Taliban movement as Afghanistan's legitimate government; the United Nations and all other UN members recognize the deposed president, Burhanuddin Rabbani. But along with Russia, Iran has been among the most active in providing support to militias opposed to Taliban, according to Tehran-based diplomats who have spoken on condition of anonymity.

EUROPE

A Grim Austerity Settles Over Russia's 'Xanadu'By Daniel Williams
Washington Post Service

MOSCOW — Until the ruble started to collapse in mid-August, Moscow wore a mask of prosperity. It was a place where shortages of food and consumer goods had become a dim memory, where jobs were plentiful and where well-stocked storefronts, pricey restaurants and brightly illuminated billboards proclaimed an era of prosperity.

"Xanadu on the Moscow River, some called it."

Now, in a matter of just a few weeks, Russia's proud capital has been humbled by an economic crisis that brought back memories of hard times.

Dreary ghosts returned in the form of food hoarding and barren store shelves.

The arrival of a truck full of potatoes from the countryside is again an occasion for a rush of buyers.

With the daily value of the national currency anybody's guess, dollar hunting has become a city sport, and foreigners are again accosted on the street by black-market traders on the lookout for the coveted currency.

For many Muscovites, the daily lineup of anxious clients at banks and money exchange offices recalls the old Soviet days of bread lines.

Merchants in modest outdoor farm markets and posh marble shopping malls alike bemoan the disappearance of customers.

Even Moscow's customary municipal swagger took a hit. The weekend's annual Founder's Day festival was reduced to a pitiful shadow of earlier anniversaries. For lack of money, city Hall even canceled the fireworks display.

"You know things are bad here when they cancel the fireworks," said Dmitri Bogdanov, a shopper at the Dynamo Stadium outdoor market. "Here, as we say, the major lights fireworks to celebrate sunrise, so you can imagine how it pained him to call this off."

The Dynamo market is one of scores of markets all over the city filled with traders who haul in goods from the frontiers or purchase imports from legions of wholesalers. Imports are Moscow's lifeblood.

Saturdays are big shopping days in Moscow, so it was easy to take the pulse of buyers and peddlers alike. Women gazed open-mouthed at displays of cans of coffee priced at the ruble equivalent of \$20 — rubles have dropped in value to about 17 to a dollar. In mid-August, the rate was roughly 6.5.

Shoppers clucked at Danish pig hearts on sale at 28 rubles a kilogram (about 13 rubles a pound), double the

early August price.

"The price will go up next week," said Mirab, a butcher from Azerbaijan. "Each day I have to adjust the price. And my supplier says that he doesn't know how long he can continue to bring in the products. People are buying less, he is running out of tables and, of course, the Danes want only dollars."

The Azerbaijani said his customers were buying fewer, and cheaper, cuts of meat. "They say they will feed their families on only rice if they have to," he said.

At a row of mini-boutiques that sell Italian-made clothes, Nadezhda Subtina gloomily pondered a quandary: Sales are off, but she is reluctant to raise prices and risk scaring off more customers. Yet she needs more and more rubles to convert into dollars to continue buying imported clothes.

"I already put \$23,000 down for the

next season's fashions, and I have no idea how I'm going to come up with the rest of the money to complete the purchase," she said. "I'm afraid my \$23,000 may turn out to be a gift to the Italians."

She and other merchants at Dynamo complained that the uncertainty about the future of the ruble compounds their problems. "It's hard enough to set prices today, much less think about tomorrow," said Marina Zhurablyova, who sells Barbie dolls.

She said she used to sell about five Barbies a day, but now sells three. Moreover, in dollar terms, she is making far less because she is reluctant to raise prices for fear that customers will disappear entirely. "I'm in a trap and I can't get out until I know what the future holds," she said.

The crisp autumn-like weather would ordinarily signal brisk business for

Vladimir Ivanov at his fur-hat stall, but that is not the case. Customers shy away from his products because they must limit purchases to those fulfilling basic needs, he said. "Is a fur hat the thing I buy in this situation?" he said. "No. I buy flour and sugar. A fur hat is no good on an empty stomach."

Newspapers that only a few weeks ago issued dreamy advice on how to furnish homes and dress like fashion models now offer tips on how to survive hard times.

Last week, Komsomolskaya Pravda cautioned consumers to be careful when trading rubles on the street. Swindlers, the paper said, sometimes conceal false bills in the middle of piles of real ones and disappear quickly after a transaction.

The paper also gave advice on the best foods to hoard. "Rice, for example, is good for up to three years," it said.



Associated Press/Keystone

A woman examining fruit at an outdoor market in Moscow on Sunday. Prices are going up every day.

Chernomyrdin Affirms Russia's Links to the West*The Associated Press*

MOSCOW — Russia still wants aid and cooperation from the West. Acting Prime Minister Viktor Chernomyrdin said Sunday on the eve of a crucial meeting that could help determine the course of Russia's next government.

"Russia is now enmeshed in the global financial system and this system doesn't want any collapse," Mr. Chernomyrdin said in an interview on the popular television program "Toggi."

He said that Russia needed, at least, to double its gold and foreign currency reserves, preferably through assistance from the "global financial system."

His remarks were the latest effort by Mr. Chernomyrdin to reassure Western governments and Russian reformers that he hoped to avoid retrenchment into Soviet-style economic isolation, which some people have predicted.

President Boris Yeltsin will meet Monday with lawmakers and trade union leaders in an attempt to agree on forming a new government, his press service said.

Mr. Yeltsin proposed the meeting on Friday, prompting lawmakers to postpone a second vote on confirming Mr. Chernomyrdin.

The Communist-dominated Duma, the lower house of Parliament, has already rejected Mr. Chernomyrdin once.

Mr. Chernomyrdin's information office said he would meet with eight members of each house of Parliament, along with

cow, Yuri Luzhkov, and leaders of Russia's two largest trade unions.

The Duma is scheduled to vote on Mr. Chernomyrdin later in the day.

Mr. Chernomyrdin sent a message Sunday to the finance ministers of Britain, Germany, France and Italy saying that "with the help of the international community, we will manage to stabilize the situation," Russian news agencies reported.

The letter was a response to Britain's decision to call an emergency meeting of other members of the G-7 industrialized countries to discuss how to help Russia's economic system.

"I don't think a moratorium would be right," Mr. Kinkel said at an informal meeting of European Union foreign ministers. "We must help Russia in difficult times, but we mustn't immediately move toward a moratorium."

Mr. Kinkel said that Russia had been a reliable debtor over the years and that it was important that Moscow continue to make payments on its debts to Germany once.

Russia has received loans totaling about \$4 billion Deutsche marks (\$31 billion at the present exchange rate) from German banks.

new government once it is formed.

Russia is in the midst of its most serious economic and political crisis since the collapse of the Soviet Union in December 1991.

The economy has been in a virtual free fall, with the government devaluing the ruble and effectively defaulting on foreign loans.

Ever since Mr. Yeltsin fired the previous cabinet, which was headed by Sergei Kiriyenko, the country has been groping its way through the crisis without an effective government.

The political opposition blames Mr.

Chernomyrdin's policies while he was prime minister for the economic crisis.

Under the constitution, Mr. Yeltsin has three chances to propose a prime ministerial candidate. If Parliament votes "no" three times, the president must dissolve the legislature and call new elections, a development that could add to the current turmoil.

The Communist deputy speaker of the Duma, Svetlana Gor'yacheva, appealed to all sides to reach an agreement, the Interfax news agency reported.

The ruble, which was trading at about 6 to the U.S. dollar (16 cents each) just last month, was down to about 18 to the dollar (5.5 cents) in street trading on Sunday, and has yet to stabilize.

The crisis has not yet caused serious unrest, but Mr. Yeltsin's most radical opponents have tried to exploit it.

■ **Surprise Name Is Added to List**

The Communists intend to present President Yeltsin with a series of alternative candidates for prime minister on Monday, including the surprise possibility of Acting Foreign Minister Yevgeni Primakov. Reuter's reported from Moscow.

The NTV station on Sunday broadcast a video of the Communist leader, Gennadi Zyuganov, talking to party members in Parliament on Friday and mentioning five possible alternative candidates to acting Prime Minister Chernomyrdin, including Mr. Primakov, a former head of the security police. The television station used a powerful long-range microphone to record Mr. Zyuganov's remarks.

BRIEFLY**Adams Not Saying IRA Will Disarm**

DUBLIN — Gerry Adams, the president of Sinn Fein, the political wing of the Irish Republican Army, said Sunday that he could not guarantee that the IRA would agree to disarm during the negotiations in the new Northern Ireland Assembly.

The IRA said last week, timing its statement to President Bill Clinton's three-day visit to Ireland, that although it found the new Northern Ireland peace agreement a "significant development," it had no plans to disarm.

Disarmament is the next major hurdle for the Assembly, a mixture of Roman Catholic and Protestant politicians charged with putting into effect the peace agreement approved by leaders in April. It was overwhelmingly approved by voters in the mostly Protestant British province of Northern Ireland and here in the overwhelmingly Catholic Irish Republic.

Mr. Adams' hard-line statement contrasted with his remarks on the eve of Mr. Clinton's visit, when he emphasized that sectarian warfare was a thing of the past. (NYT)

Defeat in Malta

VALLETTA, Malta — Prime Minister Alfred Sant of Malta resigned Sunday after conceding defeat when early results from the election Saturday showed that the pro-Europe opposition Nationalist Party was ahead.

The Nationalist Party leader, Eddie Fenech Adami, was prime minister for nine years until he was ousted by Mr. Sant in the 1996 election. Officials said they expected him to be sworn in Monday and that he would form his new cabinet the next day. (Reuters)

Pay Cut for Queen

LONDON — The British Treasury is planning to cut the queen's annual pay raise in a radical reform of royal finances, The Sunday Times reported.

The chancellor, Gordon Brown, is said to be appalled that the royal family has been getting an annual 7.5 percent increase in state funding. He is reported planning to cut the pay rise to 2.5 percent, starting in January 2001. (AP)

BRIEFLY**Norwegian Leak Extends Strike**

OSLO — The Norwegian Labor party, which has been on strike for nearly a month, has agreed to extend its protest against the government's budget for another two weeks.

The strike, which began Aug. 11, has been

extended by the Labor party, which has been

Akira Kurosawa, Eclectic Japanese Filmmaker, Dies at 88

By Rick Lyman
New York Times Service

Akira Kurosawa, 88, who personified Japanese movies to most of the world and who grew into one of the handful of truly important directors that the cinema has produced, died of a stroke Sunday at his home in Tokyo, his family said.

Mr. Kurosawa, the son of a military institute's athletic instructor, stumbled into filmmaking after failing as a painter and became one of the colossal figures in film history. He was an autocratic perfectionist with a painter's eye for composition, a dancer's sense of movement and a humanist's quiet sensibility. Dozens of directors spanning two generations have acknowledged his enduring influence on their work.

When Mr. Kurosawa's "Rashomon" reached Western audiences in 1951, little was known outside Japan about the country's cinema. That changed overnight with "Rashomon," a compelling study of ambiguity and deception that provides four contradictory accounts of a medieval rape and murder recalled by a bandit, a noblewoman, the ghost of her slain husband and a woodcutter. The characters, Mr. Kurosawa said, have a "sinful need for flattery falsehood" and "cannot survive without lies to make them feel they are better people than they really are."

Mr. Kurosawa's calculated blend of Japanese

folklore with Western acting styles and storytelling techniques provided a link between the two worlds, reintroducing Japanese culture to a postwar global audience and leading to an amazingly fertile decade that saw the director produce several films that have widely been acclaimed as among the finest ever made, including "Seven Samurai," "Ikiru" and "Yojimbo."

"I suppose all of my films have a common theme," Mr. Kurosawa once told the Japanese film scholar Donald Richie. "If I think about it, though, the only theme I can think of is really a question: Why can't people be happier together?"

Mr. Kurosawa's interests in Western literature, Japanese folktales and American westerns led him to diverse sources material. He was a master of both of the most popular Japanese film genres of his era, the *jidaigeki*, costumed action film involving medieval samurai and the *gendai-geki*, a more realistic, often domestic, drama rooted in contemporary life.

In her introduction to "Voices from the Japanese Cinema" (1975), Joan Mellen wrote: "It is possible to draw a line from Kurosawa's finest film, 'Seven Samurai,' which Donald Richie has called the greatest Japanese film ever made, back to Daisuke Ito's 'Man-Slapping, Horse-Piercing Sword' in 1930. But if it created the genre of *jidaigeki*, Kurosawa perfected the form and gave it so deep a historical resonance that each of his

jidaigeki has contained within it the entire progress of Japan from feudal to modern times."

Mr. Kurosawa chafed when Japanese critics described his work as too Western. "I collect old Japanese lacquerware as well as antique French and Dutch glassware," he said. "In short, the West and the Japanese live side-by-side in my mind naturally, without the least bit of conflict."

Stories of his perfectionism are plentiful. He once halted production to reconstruct a hugely expensive medieval set because he noticed a nail head was barely visible in one shot. For the climax of "Throne of Blood," his 1957 samurai version of "Macbeth," he insisted that his star, Toshiro Mifune, wear a protective vest and perform the scene while being shot with real arrows.

On the set, where he rarely brooked dissent, he developed his own technique that allowed him to edit each day's scenes that night and be finished with a rough draft of the film within hours of shooting the final scene. He would rehearse all of the scenes meticulously, sometimes for weeks, then shoot them from beginning to end, using three cameras positioned at strategic points. "I put the A camera in the most orthodox positions, use the B camera for quick, decisive shots and the C camera as a kind of guerrilla unit," he said.

While he was quite strict with his technical crew, he was more patient with actors. He described his approach this way: "Unless you can see, as an

actor, what the director is trying to express simply by how he looks and acts himself, you are going to miss the finer points. When my cast and I are on location, we always eat together, sleep in the same rooms, are constantly talking together. As you might say, here is where I direct."

The approach paid off with an intense loyalty. Kyoko Kagawa, who starred in "The Lower Depths" (1957) and the contemporary thriller "The Bad Sleep Well" (1960), told an interviewer: "It is only when I work with the Kurosawa group that I feel fulfilled as an actress — and coupled with that is the feeling of relief that I know when I see that Kurosawa is satisfied."

Perhaps the greatest loyalty was between Mr. Kurosawa and Mr. Mifune, his most famous star. Mr. Kurosawa made 17 films between 1948 and 1965, and all but one of them starred Mr. Mifune. But the director and his top star had a falling out following the making of 1965's "Red Beard," partly because of Mr. Mifune's desire to mount his own productions and partly due to his annoyance over what he saw as Mr. Kurosawa's growing perfectionism. They never worked together again; Mr. Mifune died in 1997.

Mr. Kurosawa's global fame was not always matched by popularity at home, and Japanese audiences seemed to tire of his costume epics. Financial reversals following the release of "Dodeskaden" in 1970 combined with a persistent and painful ailment (later diagnosed as gallstones) led him to attempt suicide in 1971. Though he recovered, he seemed changed. After having made 22 films between 1946 and 1965, he made only five in the 28 years following. "Dodeskaden," although two of them, the epic "Kagemusha" (1980), centered on a thief feigning to be a hero after assuming the identity of a dead warlord (1980) and "Ran" (1985) are considered among his finest works,



Mr. Kurosawa directed his last film in 1994

LANGUAGE

Double Entendres for Dummies

By Taras Grescoe

NEW YORK — In a television profile, Sting argued that he was more than just a pretty face. "Rock stars and footballers are supposed to be *idiots savants*," he trilled. "We're not supposed to have read Proust." Monsieur Sting's erudition may indeed be staggering, but chances are *idiot savant* didn't come into his vocabulary by way of Swann.

First coined in 1837 by the British doctor J. Langdon Down (he of the famous syndrome), the expression doesn't particularly benefit from a Gallic accent — since it is virtually unknown in France.

The same goes for *double entendre* and *affaire d'amour*. At SoHo galleries, such expressions give one's dialogue a cachet, a certain *je ne sais quoi* (*n'est-ce pas, cher?*). At Bastille vernissage, they'll provoke embarrassing silences and incomprehension.

Whether it is French or English doing the borrowing, most loan words should be handled with more than a *souçon de suspicion*.

Terms like *le fastfood*, *le jogging* and *le weekend* are routinely cited as examples of how, faced with a changing world tragically tongue-tied by a rigid, rule-bound lexicon, the French are forced to borrow words wholesale from the more dynamic, flexible English. Unfortunately, the "English" that most French people speak is a bizarre dialect that would be Greek to anyone born on this side of the Atlantic.

Parisians expect Anglophones to understand them when they accuse one another of *snobisme* or complain about how it's impossible to rent a luxurious apartment *de standing* on the strength

of a mere *shake-hand*. After all, these are English words with an impeccable pedigree — or so most French people seem to think.

The German linguist Herbert Pilch called this process pseudoborrowing and noted that it was endemic among the sesquilinguals of Europe — his name for those who have mastered one and a half languages. Pilch argued that since English had become Europe's de facto second language, speech peppered with Anglo-Saxon expressions was becoming a hallmark of a higher education.

The problem, he pointed out, was that though many Europeans had at one time studied English, they retained only a superficial knowledge of it. Since the sesquilingual in Europe aren't routinely in contact with native English speakers, they chatter away in quasi-English without fear of correction or contradiction.

Strangely, English — which has earned a reputation for being a promiscuous language — isn't guilty of too much pseudoborrowing, at least when it comes to French. The sad fact is, since most North American English speakers can only dream of speaking one and a half languages, they're hardly capable of inventing words that look foreign.

Native English speakers prefer to haul out aging French expressions, accents and idiosyncrasies intact, for ostentatious display at gallery openings and cocktail parties and in op-ed pieces.

A little linguistic knowledge can be a useful thing. The next time you find yourself buttonholed by a tiresome snob proud of his *repertoire* (that's *ré-partie* in Paris), you might want to feign incomprehension of some of his more egregious and obsolete Gallicisms.

If he mentions, for example, that he chose a *nom de plume* that reflected the sophisticated milieu of his first novel,

just look at him blankly, wait a beat and reply: "Ohhh, you mean you chose a pseudonym?" Taken aback, he'll scold you for not having heard of his book, a literary nonpareil that was a real *succès de scandale* thanks to its cast of *outré* characters.

Imitate his pronunciation of "oozy-ray," arch an eyebrow and ask him what his characters were so outraged about. After suggesting that he meant to say *outrancier* — which is closer to outrageous — and *une chose sans pareille*, ask him to explain *succès de scandale*. The expression has dropped out of French idiom.

There's no question that our language would be better off if a few such overused expressions were bundled up and forcefully expatriated via Concorde and Eurostar Express. "That's life" and "so-so" would get along just fine without their pretentious Continental cousins *c'est la vie!* and *comme ça*.

A few French phrases, however, express ideas more succinctly and evocatively than any in English and deserve to be coaxed into day-to-day use. I'd like to be able to *chamber* a bottle of wine, for example — bringing it to room temperature sounds like too much trouble. Sleeping off that same bottle the next morning has something sordid about it, but I could *caver* any amount of Bordeaux with dignity.

Most of all, I miss being in a country where sleeping in after a night out the town — *une grasse matinée* after *une nuit blanche* — is not a sign of shameful sloth but a national pastime.

William Safire is on vacation. Taras Grescoe, a writer working on a book about contemporary Quebec, wrote this for The New York Times.

BOOKS

A FATAL FRIENDSHIP

Alexander Hamilton and Aaron Burr

By Arnold A. Rogow. 351

pages. \$27.50. Hill & Wang.

Reviewed by Sarah Booth

DELICIOUS appetizers abound in Arnold Rogow's fascinating book, which includes sensational sex and amorous euphemisms to rival our own. The main course offers new political parties, allegations of treason and fraud, constitutional controversies, duels, conspiracies and rumors.

Rogow, a political scientist and author of six earlier books, writes evenhandedly about both Alexander Hamilton and Aaron Burr, dutifully quoting contemporaries who knew them, as well as historians favorable to each. Still, his sympathies seem to lie with Burr. (Mine, too, bolstered by Hamilton's presumptuous and vacuous letters in the University of Virginia's George Washington papers.) But Hamilton's reputation persists. Rogow admits, thanks to "his writings and services in the public interest ... far exceeding those of Burr and surpassing any other contemporary."

Hamilton, a monarchist at heart, edited and wrote a third of the 1788 Federalist Papers, was instrumental in the ratification of the Constitution and in establishing a federal government. He became the first secretary of the Treasury, and founded the first federal bank. Burr earned his highest post in 1801: vice president to Thomas Jefferson.

The author submits that the two had many similarities, both in appearance and deportment, though their different heritages probably were the source of Hamilton's envy and animosity.

Hamilton was illegitimate, the son of a West Indies mother accused of "whoring," and a father of unsure identity. Rogow dismisses the old rumor that Hamilton was George Washington's son; unlikely because Martha had

four children by her first husband and because smallpox in his youth appears to have rendered Washington sterile. Burr, "son of a mother and a father of impeccable reputation and comfortable means," graduated from the College of New Jersey in Princeton. Hamilton's application to Burr's college was rejected. Burr's Quebec exploits, among many marital successes, made Hamilton keep his wife Betsy in Albany, instead of joining him in Philadelphia. Others were written to Betsy's sister, Angelica, who was in England with her husband. These entanglements were not without consequences: What Hamilton called his "amorous connection" with Maria Reynolds, a Philadelphia married woman, resulted in a near-duel with James Monroe, who was rumored to be involved with Maria. Burr was peace-maker in that instance.

Beginning in 1791, Maria's husband, James Reynolds, blackmailed Hamilton for half of his annual salary. Reynolds also charged that Hamilton made "several very improper transactions" as secretary of state. Burr interceded, and being Washington's Revolutionary War aide-de-camp kept him from the chance to win the battlefield glory.

Be warned: "A Fatal Friendship" is no one-night read, and is slowed by irresistible temptations to consult the five-page bibliography, 12-page index and 44 pages of notes. The text proper contains a page after page of poignant, hilarious and revealing quotations and meditations. A small sample:

Rogow believes John Adams meant Hamilton when Adams said that a leading opponent called his "amorous connection" with Maria Reynolds, a Philadelphia married woman, resulted in a near-duel with James Monroe, who was rumored to be involved with Maria. Burr was peace-maker in that instance.

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In the World Cup competition the winner was Michael Rosenberg of Tuckahoe, New York. Two other American experts, Bart Bramley of Chicago and Eric Rodwell of Naples, Florida, finished second and third. The winner won a prize of \$35,000.

BRIDGE

By Alan Truscott

THE World Mixed Pair Championship, was the opening event of the 1998 world championships in Lille, France. It was won by Antonio Vivaldi and Enzo Rossano of Italy. The runners-up were Marc Bompis and Claude Blouquet of France, with two Danish experts, Jens and Sabin Auken coming in third.

In the World Par competition the winner was Michael Rosenberg of Tuckahoe, New York. Two other American experts, Bart Bramley of Chicago and Eric Rodwell of Naples, Florida, finished second and third. The winner won a prize of \$35,000.

In the diagrammed deal from the Mixed Pairs, two American pairs were in opposition. Dan Morse, sitting East, bounced into six no-trump after his left-hand opponent, Fred Stewart, opened an extremely weak weak-two-bid in spades and Joan Morse had overcalled in hearts. This would have succeeded, since the declarer only lost a heart trick.

However, the North player, Marinessa Letizia, ventured seven spades. Now the question was, how many down would seven spades go? Stewart lost six tricks: two trumps, two clubs, and one in each red suit. That was a penalty of 1400, just slightly better than the score 1440 that East-West would have collected in six no-trump. That would not be important at imp scoring, but it was decided profitably at match-points scoring.

NORTH

♦ K 9 7 5 2			
V 9			
♦ Q 8 6 5 3			
♦ K 6			

WEST

♦ 7 6 5 4 3			
V A Q 2			
♦ 9 8			

EAST

♦ A Q 3			
V Q 7 4			
♦ 6 5 4 3			

SOUTH

♦ J 10 9 8 6 4			
V K 8 6 2			
♦ 9			
♦ 10 5 3			

East and West were vulnerable.

The bidding:

South	West	North	East
2 ♦	3 ♠	4 ♣	8 N.T.
Pass	Pass	Pass	Pass

West led the diamond king.

Scoring:

NORTH

♦ 10 9 8 6 4			
V K 8 6 2			
♦ 9			
♦ 10 5 3			

EAST

♦ A Q 3			
V Q 7 4			
♦ 6 5 4 3			

SOUTH

♦ J 10 9 8 6 4			
V K 8 6 2			
♦ 9			
♦ 10 5 3			

WEST

♦ 7 6 5 4 3			
V A Q 2			
♦ 9 8			

Scoring:

South	West	North	East
2 ♦	3 ♠	4 ♣	8 N.T.
Pass	Pass	Pass	Pass

West led the diamond king.

CROSSWORD

ACROSS

1 Toasted sandwiches, for short

2 Politician Alexander

10 Very funny one

12 Dublin's land

18 Habitation

19 The "I" in "The King and I"

U.S. MUTUAL FUNDS

Figures as of close
of trading Friday, September 04

Latin Leaders' C

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STEP OUT OF YOUR WORLD

CURRENCY RATES

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BUSINESS/FINANCE

MONDAY, SEPTEMBER 7, 1998

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Uneasy Split Developing With Japan

U.S. and Tokyo Far Apart On How to Prevent Crisis

By David E. Sanger
New York Times Service

SAN FRANCISCO — The economic policy leaders of the world's two largest economies, the United States and Japan, spent hours here Friday night talking about the heightened risk of global recession and a further spread of the turmoil that has engulfed Asia, Russia and now Latin America.

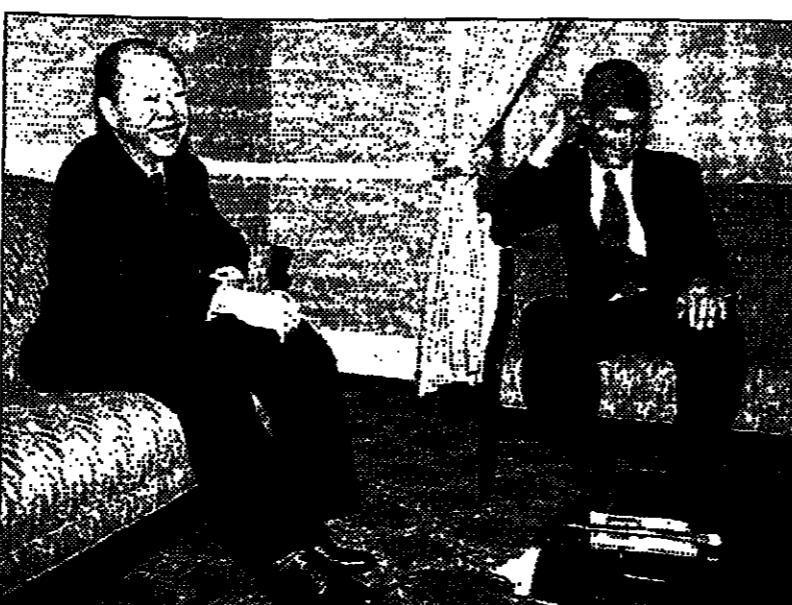
But they left Saturday morning with no new plans but rather an uneasy sense that Japan and the United States remain on different wavelengths about how quickly countries must act.

The discussion over dinner on Nob Hill included the Treasury secretary, Robert Rubin, the chairman of the Federal Reserve Board, Alan Greenspan, and Kiichi Miyazawa, the former prime minister who reluctantly agreed to take the job of finance minister last month during Japan's deepest recession since the end of World War II.

At the dinner's end, U.S. officials said they feared that the leaders of Japan still did not accept the premise that the country's banking crisis and its moribund economy were a major cause of the turmoil that included a stomach-churning dive on Wall Street last week, huge market drops and instability in Latin America and deepening chaos in Russia.

The astounding descent of the ruble led the British government Saturday to announce that a meeting of deputy finance ministers from the world's largest economic powers, the Group of Seven, was planned in London, probably this week, to map out a new Russia strategy.

But in a sign of the growing split



Finance Minister Kiichi Miyazawa of Japan, left, talking with Treasury Secretary Robert Rubin in San Francisco. Alan Greenspan, right, warning of turmoil during a speech at the University of California, Berkeley.

between Tokyo and Washington, Japanese officials bristled at the mounting U.S. pressure and suggested that they were being made scapegoats. "How can Japan's recession be responsible for an economic malaise in Latin America or Russia?" asked a senior Japanese official. "Japan has been overly criticized."

My concern is that if anything happens to the U.S. economy, everyone will point to Japan and say it is responsible."

The meeting took place as Mr. Rubin and Mr. Greenspan issued warnings that the world economy is in a particularly fragile state.

Only hours before the dinner, Mr. Greenspan, in a speech at the University of California, Berkeley, cautioned that "it is just not credible that the United States can remain an oasis of prosperity unaffected by a world that is experiencing greatly increased stress."

He appeared to open the door to the possibility that the Federal Reserve Board might consider a cut in interest rates if more evidence arose that downturns on three continents were beginning to stall the U.S. economy.

Mr. Rubin, in a conversation as he



Paul Sakuma/The Associated Press

flew from Washington to the meeting here, said that "these are clearly extremely difficult times in the world economy and world financial markets."

"This is an unprecedented situation in a host of respects," said the Treasury secretary, who experienced several major market drops in his 26 years on Wall Street as a trader and then co-chairman of Goldman, Sachs & Co. the investment banking firm. "The number of countries experiencing difficulties at once is something we have not seen before."

The speed at which billions of dollars that flowed into emerging economies in the 1990s have flowed out was also unprecedented. The inflow occurred, Mr. Rubin said, because "investors got progressively less rigorous about risk."

Now they see risk everywhere, Mr. Rubin and other Treasury officials note, and rarely discriminate between countries with deep problems and those simply fighting off economic contagion. "We are in a situation which is indeed a dangerous one, by far not fully rational," said Michel Camdessus, the managing director of the International Monetary Fund.

Speaking in Washington at the end of a meeting of Latin American finance ministers who had come to plead for relief, he said: "The degree of panic going on — this is, indeed, clearly exacting an excessive and unfair pressure on a large number of countries."

For Mr. Camdessus, that is a significant change of tone. In January, he signed an agreement in Indonesia with President Suharto that he declared would restore confidence — only to see the country dissolve into violence, economic chaos and political upheaval that forced Mr. Suharto's resignation. Early this summer, Mr. Camdessus declared that there was no crisis in Russia, and a huge one erupted within weeks.

"A few months ago people were talking about seeing the light at the end of the tunnel," said Jeffrey Garten, the dean of the Yale School of Management and a former top Commerce Department official. "Now the only hope is keeping the world economy from total deterioration. And you get a sense that this is all now truly left to Adam Smith's invisible hand — it's beyond any country's ability, any institution's ability, to control."

Greenspan Issues Alert

U.S. Can't Remain an 'Oasis,' Fed Chief Warns

By John M. Berry
Washington Post Service

The chairman of the U.S. Federal Reserve Board has said that ongoing turmoil in world financial markets poses a risk to continued U.S. economic growth, and he has signaled that the Fed might cut interest rates.

Alan Greenspan disclosed that at a policy-making session last month, Fed officials, who had been leaning for months in the direction of raising rates to head off any increase in inflation, moved back to a neutral stance because of mounting concern about the potential impact of the turmoil on the United States.

"As dislocations abroad mount, feeding back on our financial markets, restraint is likely to intensify," Mr. Greenspan warned Friday in a speech at the business school of the University of California, Berkeley.

The United States is strong and many of the "imbalances," such as rising inflation, that usually appear in long-running economic expansions "are largely absent today," he said. But he added, "it is just not credible that the United States can remain an oasis of prosperity unaffected by a world that is experiencing greater increased stress."

The comments were his first since a default by the Russian government on a portion of its debt two weeks ago that triggered sharp declines in world stock markets and large interest rate rises in some developing nations.

In the United States last week, the Dow Jones industrial average fell more than 5 percent for the second week in a row, closing at 7,640.25. The Dow now is down 18.2 percent from its peak on July 17 and more than 3 percent from its level at the beginning of the year. In countries such as Singapore, Malaysia, Brazil and Mexico, stock prices are down more than 40 percent since Jan. 1.

"In the spring and early summer," Mr. Greenspan said, the Federal Open Market Committee, which is the central bank's top policy-making group, "was concerned that a rise in inflation was the primary threat to the continued expansion of the economy. By the time of the committee's August meeting, the risks had become balanced, and the committee will need to consider carefully the potential ramifications of ongoing developments since that meeting."

The next Fed policy meeting is Sept. 29. Unless the world economy suffers

another shock, Fed action on rates is unlikely at that time because it may be hard to quantify those "potential ramifications" that soon. On the other hand, a grave development — such as the collapse of several large ailing Japanese banks — that posed an immediate threat to the world financial system could cause Mr. Greenspan to act using his own authority even before the meeting.

Last week a number of Fed officials who went to a conference in Jackson Hole, Wyoming, said that they no longer were thinking about raising rates but that they saw no need at that point to reduce them.

In a talk in Boise, Idaho, on Thursday, Robert Parry, president of the San Francisco Federal Reserve Bank, said, "These international problems are coming at a time when spending inside the United States is strong, so that our economy has some room to absorb a shock from abroad."

"However," Mr. Parry added, "recent financial developments in the United States and around the world raise uncertainties about whether this strength in domestic spending will continue. Falling U.S. and foreign stock markets, as well as possible effects of problems abroad on U.S. corporate profits, could restrain consumer and business spending in this country."

In his speech, Mr. Greenspan also raised the question of whether a big drop in stock prices, after several years of large increases, might have a major depressing effect on consumer spending and economic growth.

Mr. Greenspan said that the history of large changes in investor confidence "counsels caution in the current context."

"We have learned in recent weeks that just as a bull stock market feels unending and secure as an economy and stock market move forward, so it can feel when markets contract that recovery is inconceivable."

"Both, of course, are wrong," he added. "But because of the difficulty imagining a turnaround when such emotions take hold, periods of euphoria or distress tend to feed on themselves."

Mr. Greenspan's comments suggest that he is worried about the possibility that a psychologically driven bear market could cause such a pullback in consumer spending and business investment as to put the U.S. economy into a serious slump.

Latin Leaders Call for Action to Cushion Crisis

Compiled by Our Staff From Dispatches

PANAMA CITY — The presidents of 10 Latin American countries have called for urgent action to reduce the impact on Latin America of the economic crises in Russia and Asia.

"There exists a very serious worry in each of our countries from what has occurred in these past weeks," President Ernesto Zedillo of Mexico said Saturday at the conclusion of the summit meeting of the Group of Six in Panama. "If this continues, we would be at risk of the entire world economy entering a state of recession."

Latin American heads of state signed a declaration appealing to international financial institutions and the Group of Seven industrialized nations to reflect

urgently on the crisis threatening emerging Latin American economies.

The document recommended that all emerging economies strengthen themselves through various means, including increasing internal savings and promoting long-term investment.

But it also made a clear call to such multilateral financial bodies as the International Monetary Fund and to the Group of Seven to take immediate action to fight the global economic crisis.

"It is indispensable that the G-7 countries immediately take the necessary means to restore stability in financial markets and to guarantee the growth of the world economy," the declaration said.

The Rio Group includes the Con-

tadora Group — Panama, Venezuela, Colombia and Mexico — by adding Chile, Peru, Bolivia, Uruguay, Argentina, Brazil, Ecuador and Paraguay.

Meanwhile, the International Monetary Fund's top official said he was confident that Latin American economies would continue to grow over the long term even though Asia and Russia were having an adverse effect on the region right now.

Michel Camdessus, managing director of the IMF, said if the economic instability from Asia and Russia continued to exert pressure on currency and stock markets in Latin America, finance officials in that region would have to tighten monetary policy.

Still, the IMF projected that most of

the countries in the Latin American region would expand their economies this year and would have low or declining inflation.

(Reuters, Bloomberg)

■ Brazil Sharply Raises Rates

The central bank of Brazil has raised its benchmark interest rate more than 10 percentage points to stop an outflow of capital that is reaching \$1 billion a day amid concerns that Brazil's currency will be weakened. Bloomberg News reported from São Paulo.

The central bank said its overnight rate, which it charges banks for loans, will rise to 29.75 percent, from 19 percent, beginning Tuesday.

The rate will remain in effect until Sept. 30.

Financial Crises May Stall Capitalism's Global March

By Paul Blustein
Washington Post Service

WASHINGTON — As the crisis shaking the world's financial markets spreads and intensifies, signs increasingly suggest it could deal a historic setback to the advance of Western-style capitalism.

The most obvious illustration is Russia. After the virtual collapse of the country's economy last month, pro-Western forces are in full retreat and speculation abounds that socialist policies will be revived.

Another example is Malaysia, which this week effectively cut itself off from global financial markets by imposing tight controls on the flow of capital across its borders. The country had thrived over most of the past decade by welcoming investments by U.S., Japanese and European companies. But Prime Minister Mahathir bin Mohamad, furious over the selling wave that has sunk the Malaysian currency and stock market, decreed that the currency — the ringgit — could no longer be freely traded.

Even in Hong Kong, hitherto proud of its reputation as the world's most free-wheeling market, the government began a vigorous effort last month to bolster the Hong Kong Stock Exchange by using billions of dollars' worth of public funds to buy shares.

Up until a couple of months ago, the crisis appeared to be

NEWS forcing economic policy in many countries to take a market-oriented direction — so much so that Michel Camdessus, the managing director of the International Monetary Fund, often referred to the financial turmoil as "a blessing in disguise."

Together with his backers in the Clinton administration, Mr. Camdessus saw potential long-run benefits resulting from the Asian crisis. Even though such crisis-ridden countries as South Korea and Thailand were sinking into painful recessions, they were moving toward more Westernized, free-market models as they met IMF demands to scrap the "crony capitalism" and policies of heavy government intervention in the

economy that had undermined their long-term growth prospects.

But the words "blessing in disguise" have disappeared from Mr. Camdessus' public utterances lately, underscoring growing fears among Western analysts and officials that the crisis may prove an unadulterated curse.

"I think of it as a backlash against globalization, and you're getting more and more episodes that move down the same track that make this whole dimension of the crisis very worrisome," said C. Fred Bergsten, director of the Institute for International Economics, noting that Taiwan and Japan have also been returning to government-backed stock purchases as their markets weaken.

Robert Zoellick, a top official in the Bush administration, said the latest developments have deepened his concerns that Washington was failing to aggressively consolidate the gains the U.S. system had achieved at the end of the Cold War. "Now we're moving beyond the risk of missing opportunities, to the risk of retrogression," said Mr. Zoellick, who is president-designate of the Center

for Strategic and International Studies. "In the long view, you can argue that markets and capitalism will eventually dominate because people will discover the benefits of an efficient production system. But as we saw in the 1930s, the long run can last a long time."

Remarkably few restrictions have been raised during the crisis on imports or exports of goods and services, so the dangers to capitalism should not be exaggerated. So far, most of the government interference, including Malaysia's, has been limited to the markets for

Through much of the post-World War II period, many countries — including advanced industrial powers in Western Europe — maintained controls on capital. In some ways, government intervention in the capital markets now can be viewed as an effort to correct the excesses of a decade-long experiment in which money was free to virtually anywhere on Earth at the touch of a computer key.

Remarkably few restrictions have been raised during the crisis on imports or exports of goods and services, so the dangers to capitalism should not be exaggerated. So far, most of the government interference, including Malaysia's, has been limited to the markets for

Part of the reason is that on-line brokerage firms typically charge much lower commissions than traditional ones.

But even for investors who trade through human brokers, monitoring a stock in real time on-line can induce decisions more hasty than wise.

"There's just something about watching it live, where you feel an immediacy and an urgency to do something, more than if you came home at the end of the day and looked at it in the paper," said Jeffrey Mitchell of Connecticut, who said he had lost money by not waiting an extra hour to see what happened to a stock.

Mr. Mitchell runs a software company and calls his broker when he sees opportunities on-line. In addition to hair-trigger trading, the Internet offers investors another double-edged sword: on-line discussion groups.

Many "tips" posted on-line have been exposed as erroneous or even fraudulent. But there is a subtler danger: the psychological attachment, or aversion, an investor can develop for a stock that is the subject of debate on financial Web Wide Web sites like Silicon Investor or the Motley Fool.

"When you buy a stock and talk about it on Silicon Investor, it becomes more than just a stock," Mr. Mitchell said. "You become polarized on the Internet, and then you feel, by selling or shorting, you are giving in to the dark side."

Still, he and others said they found that on-line discussions bolstered their confidence about investment choices. And soaking in the rhythm of the market through

"To me, it's aimed at reassuring the banks," said John Seel of Bear Stearns Asia Ltd.

The plan comes about three weeks after the government waded into the stock market in an effort to lift prices and punish speculators bearing against stocks and the Hong Kong dollar. The intervention came after shares had plunged and interest rates had soared.

The measures "will enhance the robustness of Hong Kong's monetary arrangement," said Joseph Yam, chief executive of the authority. "They should also help to reduce excessive volatility in interest rates."

"I won't say it will immediately do away with speculation on the Hong Kong dollar," said Stanley Wong, regional treasurer for northeast Asia at Standard Chartered Bank. "But I think it's pretty sure that with all these measures, the sharp moves of Hong Kong interest rates will be less likely."

But some analysts said the moves were not enough to keep speculators away from Hong Kong's markets, adding that the former British colony could not resist pressures created by Asia's economic turmoil.

Andrew Ballingal, a strategist at Schroders Asia, said that the monetary authority's changes could actually promote the perception that the currency board system is inadequate.

"It's evidence of further uncertainty and a lack of confidence in the peg mechanism," he said.

(Bloomberg, Reuters)

CURRENCY RATES

Currency	Per \$	Per £	Per D.F.	Per F.F.	Per Lira	Per Yen	Per Cdn. \$
American	1.275	1.025	1.0745	1.0745	1.265	1.257	1.265
Argentine	55.34	46.28	41.82	28.80	1.025	1.025	

CAPITAL MARKETS ON MONDAY

Top-Notch Borrowers Still Find Buyers, Even as Others Feel Squeeze

By Carl Gewirtz
International Herald Tribune

PARIS — Despite the continuing turmoil in world credit markets, Fannie Mae was able to raise \$2 billion last week through a global offering of five-year notes.

The success of the offering illustrates the so-called flight to quality as investors continue to flee risky markets for the perception of safety offered by borrowers like Fannie Mae, the U.S. government-chartered home mortgage lender.

But in that flight, even the debt of Fannie Mae, with its triple-A credit rating, has been unable to keep up with the U.S. Treasury bond market. Strong demand for government bonds has driven up prices, sending yields, which move in the opposite direction, to record lows.

As a result, the interest-rate differ-

ential, or spread, between the yield on Treasury bonds and the yield on Fannie Mae debt has widened sharply since before the crisis began. But for other borrowers, the spread — and thereby the relative cost of borrowing — has increased even more dramatically.

The \$2 billion worth of Fannie Mae bonds were offered at an interest rate of 45 basis points, or hundreds of a percentage point, more than that of the comparable five-year Treasury note.

That is the widest spread Fannie Mae has paid since it began keeping records on spreads in 1990. A year ago, when Fannie Mae sold \$7 billion worth of five-year notes, they were offered at only 18 basis points above the corresponding Treasury.

But using swaps — customized securities that allow parties to hedge their financial risks — Fannie Mae was able

to keep the total cost of the latest borrowing in line with its usual target.

Bankers said the ease with which the \$2 billion issue was sold demonstrated that even amid the global financial crisis, cash was available for the highest quality borrowers and for large issues like Fannie Mae's, which offer greater liquidity, or ease of trading.

More than half of the \$2 billion worth of notes was sold to investors outside the United States. Almost a quarter went to Europe, and nearly a third went to Asia. U.S. dollars amounted to only 43 percent.

Also braving miserable market conditions, Austria issued \$750 million worth of five-year notes denominated in European currency units. These notes, like previously issued Austrian notes denominated in schillings, Deutsche marks and guilders, will be converted into euros when the common currency is started next year. Then, Austria will have a total five-year issue of 5 billion euros, large enough to serve as a borrowing benchmark.

This week, bankers expect the European Investment Bank and the Federal Home Loan Bank to tap the market.

Critical measures of the capital markets were registering less tumult last week than in the previous week but remained at crisis levels.

J.P. Morgan's Emerging Market Bond Index, the best measure of borrowing costs for Latin American governments, ended the week at 1,475 points, representing a yield spread on sovereign Latin American debt of 14.75 percentage points over U.S. Treasury levels. That was down from a high of 15.85 points but compared with a spread of just 3.70 percentage points a year ago at this time.

Japanese borrowers have been badly hit, and borrowing costs have risen sharply even for issues carrying a government guarantee.

The volatility of the situation has resulted in giant losses at hedge funds, banks and other financial intermediaries.

While such organizations typically insulate their portfolios against an outright change in interest rates, they are often exposed to changes in the spreads between rates, which had been expected to remain stable.

At current levels, said Jan Loeyen at J.P. Morgan in London, spreads in bond markets are at levels that anticipate a global recession.

He is focusing on developments in stock markets to try to confirm the gloom in the credit markets or to challenge that perception.

Most Active International Bonds

The 250 most active international bonds traded through the European system for the week ending Sept. 4. Prices supplied by Teltekur.

Rnk Name Cpn Maturity Price Crd Yld

Argentine Peso

237 Argentina 3.0672/04/01 71,1249 4.3400

Austrian Schilling

126 Austria 5 01/15/08 104,0000 4.8100

140 Austria 6 07/15/27 115,5000 5.4000

British Pound

144 Fannie Mae 6% 04/07/02 101,4280 4.3700

202 Higher Ed 6,4480 04/24/98 72,3510 4.8500

243 Britain 6% 12/07/03 107,0000 5.2500

248 Amington FRN 6 12/25/01/22/23 96,0319 8.5500

Danish Krone

15 Denmark 7 11/15/07 115,5000 6.0000

27 Denmark 6 07/15/07 115,5000 5.5100

28 Denmark 8 02/15/04 115,5000 5.6700

33 Denmark 9 05/15/03 109,9100 5.5000

37 Denmark 9 11/15/00 109,4000 5.8200

44 Denmark 7 07/15/02 109,7700 5.5000

46 Denmark 8 07/15/02 109,7700 5.5000

43 Denmark 4 02/15/01 99,2000 4.0200

67 Denmark 6 10/01/29 105,5300 5.6900

75 Denmark 7 12/15/04 112,4000 6.2200

101 Hyndlyd 7 10/01/29 101,4500 4.8500

110 Denmark 9 11/15/98 100,8100 8.5300

111 Nykredit 6 10/01/29 97,3500 1.1600

147 Realkredit 2000 6 10/01/29 96,4000 1.9400

164 Unirentid 6 10/01/29 96,4500 4.2200

175 Nykredit 6 10/01/26 99,5200 4.0300

179 Realkredit 6 10/01/29 97,0500 6.1800

Deutsche Mark

1 Germany 5 01/04/98 107,9700 4.8000

2 Germany 6 07/04/98 110,1800 5.2100

3 Germany 4,95 01/03 102,9243 4.5700

4 Germany 4,95 01/03 102,5874 4.5200

6 Germany 6 01/04/07 111,9800 5.3600

7 Germany 5,1 01/04/07 111,9800 5.3600

9 Germany 5,1 01/04/07 109,7700 5.3600

11 Germany 8 07/22/02 115,1325 6.9500

12 Germany 6 07/04/22 122,9701 5.2900

13 Germany 8 01/21/02 113,1295 7.0700

14 Germany 4 07/15/02 107,9700 5.2200

15 Germany 5 11/12/02 104,7239 4.7700

18 Germany 7,1 08/20/02 103,6500 4.2200

19 Treuhund 7,1 01/01/03 112,9100 6.3100

20 Germany 7,1 07/01/03 112,9125 6.3100

22 Germany 7,1 07/01/03 112,9150 6.3100

23 Germany 6,95 01/03/03 115,8000 5.9400

25 Germany 7,1 08/01/03 103,0000 4.6100

26 Germany 9,4 01/04/24 117,4100 5.3200

27 Treuhund 7,1 08/01/03 103,0000 4.6100

28 Treuhund 7,1 08/01/03 103,0000 4.6100

31 Germany 6,95 01/03/01 112,4703 7.3100

32 Germany 5,04 01/03/01 112,4703 5.5000

34 Germany 5,1 1/7/03 103,2300 4.9400

35 Germany 4,95 01/03/01 103,2300 4.9400

36 Germany 4,95 01/03/01 103,2300 4.9400

38 Germany 6,94 01/03/01 113,1133 5.5300

39 Germany 9 02/04/03 109,8913 5.5300

40 Germany 6 02/04/03 110,2986 5.5300

41 Germany 7,1 01/15/03 110,2986 5.5300

43 Germany 7,1 01/15/03 110,2986 5.5300

45 Treuhund 7,1 01/01/02 114,6075 6.7400

47 Treuhund 4,95 01/03/02 102,4725 4.9900

49 Germany 6,95 01/03/02 102,4725 4.9900

51 Germany 6,95 01/03/02 102,4725 4.9900

52 Germany 6,95 01/03/02 102,4725 4.9900

55 Germany 6,95 01/03/02 110,2800 5.5300

56 Germany 6 04/02/01 110,2800 5.5300

57 Germany 5 01/01/01 102,4725 4.9900

58 Germany 5 01/01/01 102,4725 4.9900

61 Treuhund 6,95 07/03/03 111,9120 5.2200

62 Germany 7,1 02/03/03 112,6900 6.2200

64 Germany 8,94 08/20/03 113,9250 7.6900

72 Germany 5,1 07/03/03 103,9146 5.0500

73 Germany zero 07/03/03 98,7904 3.3700

75 Treuhund 6% 04/15/03 112,5543 5.4900

84 Germany 6 09/07/03 109,3450 5.4900

85 France OAT 200 02/03/03 102,3450 5.2200

86 France OAT 200 02/03/03 102,3450 5.2200

87 France OAT 200 02/03/03 102,3450 5.2200

88 France OAT 200 02/03/03 102,3450 5.2200

89 France OAT 200 02/03/03 102,3450 5.2200

90 France 6 05/01/01 113,7800 5.7200

92 France 6 05/01/01 111,5363 7.4800

93 Germany 4 09/07/94 100,5000 6.2200

95 Germany 81 02/03/00 111,2300 7.6400

Rnk Name Cpn Maturity Price Crd Yld

Italian Lira

97 Treuhund 6% 04/23/03 110,2700 5.8700

99 Germany SP zero 07/04/27 122,5000 5.8000

100 KfW 5% 01/04/09 102,9000 4.8100

105 Treuhund 5% 11/10/03 104,4225 5.8400

107 Germany 5% 05/13/04 113,4000 5.9200

109 Treuhund 7 05/13/04 113,4000 5.9400

111 Depts 4% 07/15/08 100,9559 4.7300

121 Treuhund 5% 12/17/08 100,4000

NASDAQ NATIONAL MARKET

Consolidated prices for all shares traded during week ended Friday

Aviation

The Crunch Takes Its Toll in Asia

Regional Airlines Are Selling Off Planes in a Fight for Survival

By Thomas Fuller

KUALA LUMPUR — Somewhere in the Arizona desert is a poignant symbol of the East Asian economic crisis: brand-new Boeing aircraft parked under the hot sun, unlikely to be flown home anytime soon by the cash-strapped airlines that ordered them.

The planes were ordered during Asia's boom years when airlines needed to keep up with record annual increases of passenger traffic in the region.

Now, fresh off the assembly lines, their owners can't pay for them. The planes won't be there for long, however. Industry analysts say the aircraft are in such high demand that airlines from the United States and Europe are waiting in line to buy them.

Thus lies the story of East Asia's economic crisis. As the region's aviation industry reels — routes are being slashed, plane orders canceled and passenger traffic is plummeting — the U.S. and European aviation markets are in full bloom.

"We are still saying that, in terms of the 20-year forecast, it's not going to have that much of an impact," said Carrie Cable, a Boeing spokeswoman, referring to the economic crisis.

During the boom years, about 1,000

Boeing 737s were delivered to Asian airlines, an unprecedented number. Now, with the crisis in full swing, many Asian airlines are looking for ways to pawn off some of their planes, whether Boeings or Airbuses.

Some airlines, like Malaysian Airlines, are selling them outright to get cash. Others, like Singapore Airlines, are using accounting wizardry to get the aircraft off their books: selling them to finance companies which in turn lease them back.

Philippine Airlines, which has suffered the most of all large carriers in the region, is simply leaving 20 of its planes dormant in Manila while it restructures its operations.

Other troubled airlines that are being squeezed by a severe cash crunch include South Korea's Asiana Airlines and Korean Air and Garuda Indonesian Airways.

"All these airlines are rapidly scaling down their services: dumping routes, dumping airplanes, and probably more difficult, dumping salaried staff," said Paul Lewis, Asian editor of Flight International, a trade magazine.

"Some of them are already technically bankrupt," he added.

Despite the gloom, headline numbers for the region are not shocking.

"It's probably knocked about \$1.5 billion to \$2 billion off of what would

have been the net profit for 1998," said Tim Goodyear, spokesman for the International Air Transport Association in Geneva. "At the same time, it's taken about 3 to 4 percentage points off the growth rate for passenger traffic." He was referring to traffic into and within Asia.

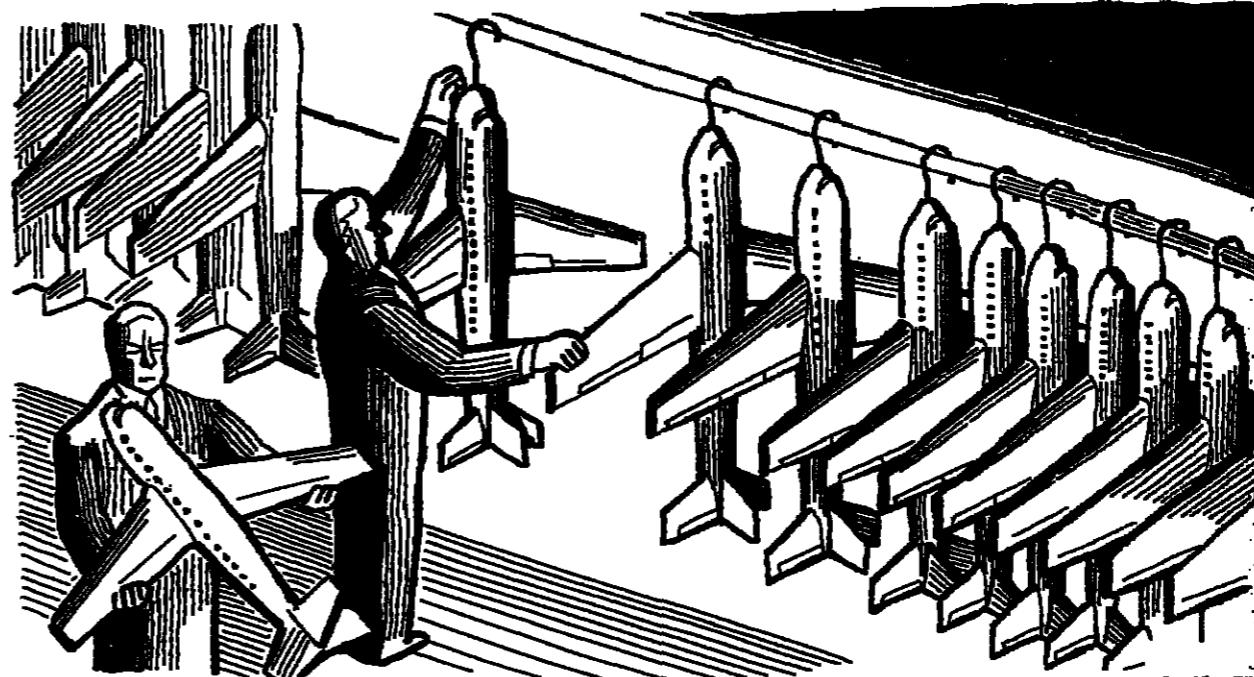
But the numbers don't tell the whole story. The Asian crisis is hurting small regional airlines the most because the routes they serve are often less profitable than the long-haul international ones.

PASSENGER numbers have declined more dramatically on domestic and regional routes than on long-haul flights, where increased tourism from Europe to places like Thailand is keeping passenger levels relatively high. By contrast, far fewer people are flying between, say, Jakarta and Hong Kong.

Richard Stirland, director-general of the Association of Asia Pacific Airlines in Manila, says it is unlikely that any of the big national carriers will go out of business, since they often have the support of their home country.

Small airlines are a different story. "Most of them, one way or another, probably will cease to exist," he said.

Already one small airline, Indonesia's Sempati Air, has suspended op-



David Sackoff

erations. The remaining handful of domestic carriers in Indonesia are fighting for survival, faced with skyrocketing costs in rupiah terms for fuel, spare parts and aircraft leases.

Although the region's larger airlines are less vulnerable to the crisis, they are far from trouble-free. Crippled by a strike in June, Philippine Airlines has received protection from its creditors while it seeks ways to restructure its operations. The airline has fired thousands of pilots and employees.

Asiana Airlines is perilously close to bankruptcy, selling off planes simply to keep cash flowing.

And Malaysian Airlines, which announced a financial restructuring plan earlier this year, has sold two planes to Quantas in an effort to raise cash.

Amid this industry gloom, two giant airports have opened in the region. Kuala Lumpur now boasts the largest airport in Southeast Asia and Hong Kong the most expensive at \$20 billion.

"From the point of view of Hong

Kong, the crisis is a relief," said Barry Grindrod, managing editor of Orient Aviation. "The predictions a couple of years ago were that Hong Kong was going to be at capacity when the new airport opened."

The predictions, it turns out, overestimated passenger traffic by six million passengers a year.

THOMAS FULLER is a special correspondent for the International Herald Tribune in Malaysia.

Will Its A3XX Permit Airbus to Break Boeing's Hold on Jumbo Jet Market?

U.S. Manufacturer Slowly Changes Course

By Brian Knowlton

WASHINGTON — If you think of the mammoth Boeing Co. of Seattle not, say, as one big shiny 747 jumbo jet but as a fully loaded milelong oil tanker trying to shift course and outmaneuver a freighter in rough seas, you get a picture of the challenge facing the world's largest aircraft maker.

The troubled company has been turning back slowly from its first loss in 50 years but its efforts to put a brave spin on recent setbacks have rung a bit hollow for some analysts.

In 1997, Boeing got a jolting wake-up call when it posted a net loss of \$1.78 million, after net income of \$1.8 billion in 1996.

It got another jolt in August when British Airways turned to its arch-rival, Airbus Industrie, and ordered as many as 188 short-haul planes worth a total of \$11 billion. That followed a setback last year when US Airways ordered 124 planes, worth about \$6.2 billion, from Airbus.

Clearly, the company confronts an urgent set of questions: Are Boeing's efforts to rethink, rationalize and retool its production facilities moving quickly enough? What will be the impact of Asian problems? And how will the battle between it and its rising European rival shake out?

The company's management team is feeling the pressure, especially since Boeing's share prices have lost more than a third of their value this year.

"There is a certain group of investors screaming for their blood," said Pierre Chao, senior aerospace analyst at Morgan Stanley Dean Witter.

They got some last week when Boeing announced that Ronald Woodward, head of its Commercial Airplane Group since 1993, was being forced out in the face of continuing production and financial problems. He was replaced by Alan Mulally, chief of Boeing's defense and space group.

"We have experienced unsatisfactory financial performance with our commercial airplane operations," said Philip Condit, Boeing's chairman and chief executive officer. "We concluded there must be significant changes in the composition of the management team."

In flusher times, Boeing developed production methods that were largely intended to give clients the greatest possible array of options but that in today's competitive world appear inefficient and costly. For instance, at the 747-400 assembly plant in Everett, Washington, small teams of workers use hand tools; there are no robots.

The choices Boeing offered clients were legendary. Customers could choose from among more than 100 shades of white paint. A pilot's clipboard was offered in more than 20 styles. Combined with an inventory-tracking system that required a separate paper trail for every part in a plane — and the 747 includes about six million parts — this resulted in production delays, slow inventory turnovers and very slow response times.

In 1992, the company began to try to change things. It now has a team of 2,000 employees — in a \$1 billion, multiyear effort — working on ways to streamline the production process.

Boeing is discarding 400 separate computer database systems used to track parts in favor of a single system. It is devising, and implementing, ways to lower manufacturing costs by at least one-fourth, and to double the speed with which it turns over its costly inventory, aiming to turn over inventory four times a year instead of two.

But trouble came last year when or-

ders soared. Boeing reported the steepest production increases since the dawn of the jet age. In a frantic effort to keep up, parts from suppliers arrived too soon or too late, and jobs were completed out of order, leading to large amounts of overtime and work at times having to be undone and then redone.

To recover, Boeing had to halt its 747 and 737 assembly lines for a month. At the same time, the company was digesting its recent \$16.3 billion acquisition of McDonnell Douglas. It spent \$1.4 billion last year to phase out some McDonnell Douglas production lines (for the MD-80 and MD-90), retrain employees and upgrade machinery. This year, it expects to spend \$1 billion to get its lines running smoothly.

Added to that was its takeover in 1996 of the defense and space operations of Rockwell International in a \$3.2 billion deal. Thus, in a relatively short period, Boeing's work force went from 112,000 to 238,000. It now aims to reduce that, perhaps by 10 percent.

"These kinds of things are extremely difficult and take a lot of time, but there appears to be progress," said Mr. Chao.

Boeing reported July 23 that factory operations were getting back in sequence. On its Next-Generation 737 jet, the number of jobs behind schedule has fallen from a high of 8,500 to around 3,800.

The company acknowledges that all the production problems have not yet been ironed out on its Next-Generation 737 and 747 production lines and, to a lesser extent, on the 757 line. Boeing reported a \$219 million aftertax loss on the NG 737 in the first quarter of this year because of production difficulties.

To ease the production crunch at the plant in Renton, Washington, where 737s are assembled, Boeing said recently that it was transferring a 737 production line to a former McDonnell Douglas plant in Long Beach, California.

As a spokesman, Peter Conte, said, "We must have our factories substantially back to health by this year."

But Boeing's ultimate goals will not be met that soon, said Peter Jacobs, aerospace analyst with Ragen Mackenzie, a brokerage in the Pacific Northwest. "They have yet to realize any cost savings," he said. "Their costs are above where they were three years ago."

The objective of cutting manufacturing costs by 25 percent, he said, "will likely take three to five more years to fully realize."

All this has made the competition with Airbus especially painful.

For maximum leverage, airlines have begun negotiating longer-term agreements. Boeing's prices for commercial jets, some analysts say, are down 20 to 30 percent from just two years ago. To secure the order from British Airways, Airbus may have had to discount by 40 percent, some sources said. However, an Airbus spokesman called that allegation "rubbish."

Amid price squeezes and the high cost of retiming, Boeing expects its revenues to be well up this year, close to \$55 billion or \$56 billion, but with earnings of less than 2 percent net return on sales.

Meanwhile, both Boeing and Airbus expect damage from the fallout of the

By Barry James

PARIS — With the European Airbus industry in striking distance of challenging the Boeing Co.'s supremacy in the civil airliner market, the industrial battle between the companies is likely to be more acrimonious at the Farnborough Air Show this week.

Airbus has confirmed its decision to build an ultra-large transport to exploit a

market now monopolized by the Boeing 747, putting it on a direct path of confrontation with its American rival.

After detailed studies, Boeing claims there is no viable market for a new jumbo jet, and has chosen instead to upgrade the 747 and extend the flight range and capacity of its 777 series.

The Airbus decision to build a 550-passenger jet comes with the prospect of a trade war in the aerospace sector. It could lead to renewed American charges that the four-nation consortium is benefiting unfairly from government subsidies, an allegation that Airbus denies. It counters that Boeing's civil manufacturing activities are cross-subsidized through the company's involvement in the defense sector.

After taking office earlier this year, Airbus' managing director, Noel Forgeard, reaffirmed the consortium's goal of winning at least half the market for airliners above 100-seat capacity within the next five years. Boeing's aim is to capture 65 percent of the market over the next 10 years.

Last year, Airbus took 40 percent of the market, and booked a record 460 firm orders valued at nearly \$30 billion, up 50 percent from 1996. Boeing took 568 orders valued at about \$42 billion.

To achieve its target, industry analysts say, Airbus needs to challenge Boeing's supremacy in jumbo jets. The 747 is indispensable to many airlines on heavily traveled routes, and is a cash cow for Boeing. The analysts say it is also a powerful marketing incentive, making it easier for Boeing to sell other aircraft in its range and to persuade airlines to operate all-Boeing fleets.

Airbus says its competing aircraft, code-named the A3XX, will be 20 percent cheaper to operate than the 747, and will start with the benefit of modern design concepts rather than being an adaptation of an aircraft that began life in the 1960s on the basis of a military transport concept. Meanwhile, Boeing has yet to conclude studies on future developments based on the 747.

After close consultation with 20 airlines that are potential customers for the jet, Airbus plans to complete the design of the two-deck A3XX by the end of this year. Mr. Forgeard said commercial offers to airlines would begin next spring, and the manufacturing program would be launched late next year, with the aircraft scheduled to enter service in 2003.

But before it can begin manufacturing, Airbus has to complete its transition to a stand-alone company, blending four corporate structures into a single enterprise by the end of this year. Airbus is now a "grouping of economic interests," involving Aerospaciale of France, Daimler-Benz Aerospace of Germany, British Aerospace and Construcciones Aeronauticas SA of Spain. Without a clearly defined corporate structure of its own, Airbus is hampered in bringing in outside partners in Europe and Asia and raising capital on international markets.

In 1992, a bilateral agreement between the European Union and the United States headed off a trade war by capping direct government aid at 30 percent of development costs and limiting the amount of indirect aid, such as cross-

subsidizing from military programs. Airbus thus needs outside cooperation and capital to help defray the \$9 billion development costs of the A3XX.

Of course, Airbus does not share Boeing's pessimism about the market prospects for a new very large aircraft.

The consortium's annual Global Market Forecast predicts that by 2017 the proportion of fleet capacity provided by aircraft with more than 400 seats will increase to 21 percent from 1 percent at present. It also predicts that jumbos will account for 26 percent of the estimated \$1.2 trillion that airlines will spend on buying some 13,600 new planes over the next 20 years.

The A3XX would be the starting point for a series of aircraft with different passenger and cargo configurations. Airbus engineers say the A3XX could be enlarged to carry up to 800 passengers while remaining within the constraints imposed by airport runway and terminal infrastructures. The consortium argues that the growth of air traffic in the next century and the prospect that the number of airports will remain more or less constant means that there will be a demand for aircraft capable of carrying such large numbers of passengers.

Part of Airbus's strategy has been to ensure that all its new aircraft handle similarly, use common parts and have analogous flight decks, with fly-by-wire controls and identical computerized instrument displays. Such interchangeability enables airlines to hold down costs by reducing their inventories of spare parts, and by assigning pilots to different aircraft types with little or no additional training.

IT ALSO increases the likelihood that airlines will buy planes from a single supplier as they extend and modernize their fleets. This tends to favor Boeing, because airlines often purchase new planes on the basis of how well they fit in with their existing fleets. About 80 percent of the world's commercial airliners are products of Boeing-McDonnell Douglas, which Boeing has acquired.

Airbus argues that it cannot reap the full benefits of commonality until it can sell airlines an alternative for every plane that Boeing has on offer. This it can now do in every sector except the largest. Hence the importance of building — and selling — the A3XX.

Both Airbus and Boeing are seeking to develop their product range in other categories as well. Boeing has launched the 245-seat 767-400ER to compete against the Airbus A330-200 and to fill a seat gap between the 767-300 and the 777-200. It launched a stretched version of the 757-100, the 243-seat 757-300, and has been working on longer-range developments of the 777-200/300 series to compete with the Airbus high-capacity A330 twin jet and the ultra-long-range four-engined A340, both of which the consortium is promoting as alternatives to older 747s and the McDonnell Douglas MD-11.

Boeing is continuing the development of the MD-95, which it has rebaptized the Boeing 717 and which the company says fills a need for planes of about 100-seat capacity.

But Airbus has dropped immediate plans to develop a 100-seat aircraft that would compete directly with the 717. The consortium said it could not make a strong enough business case to develop a plane smaller than its 124-passenger A319, a shortened-fuselage version of the A320. The decision was affected by the downturn in the economies of Asia, the intended markets for such a plane, which was to have been produced with manufacturers in China and Singapore.

BARRY JAMES is on the staff of the International Herald Tribune.



The A3XX will finally allow Airbus to offer an alternative to Boeing's 747. Three members of the Boeing wide-body family, in bottom photo, are the 747-400, in foreground: the 777-200, center, and the 767-300ER.

AVIATION / A SPECIAL REPORT

In Europe, Barriers To Consolidation Fall

Decision to Privatize Aerospatiale Hailed

By Joseph Fitchett

PARIS — The most important development this year for the future of Europe's aerospace industry was the French government's decision to privatize its biggest state-run defense company, Aerospatiale.

That judgement is shared by executives, government officials and analysts across Europe because the French action preserved Europe's momentum toward consolidation among the Continent's myriad national military contractors.

German and British defense companies are eager to expand internationally but only with other private companies, and thus were frustrated by French reluctance to end state ownership in this strategic sector.

By last spring, speculation was that Bonn and London were ready to abandon their hopes for a three-way partnership with France and to proceed with a bilateral defense industrial alliance, initially by merging their aircraft manufacturers into a single multinational company to build the Eurofighter.

France would have been marginalized, and Europe exposed to a civil war in armaments in which no European company would have been big enough to prevent U.S. mega-companies from picking off the Continent's markets and companies.

That scenario seems less likely since the Socialist government of Prime Minister Lionel Jospin announced in late July that Aerospatiale would be privatized in January as part of a merger with Matra, a private French defense electronics manufacturer.

The French government will retain a "golden share," meaning a veto, in order to "protect the national security interest." But Matra was promised, along with its 34 percent share, management control of the new company.

Significantly, Matra is already engaged in major joint ventures with Britain's leading defense companies and with Germany's Daimler-Benz Aerospace. The choice of Matra seemed to confirm, experts said, a readiness in Paris to participate in a wave of cross-border mergers involving companies in France, Britain and Germany, the European countries with significant defense industries.

France "recognized that the nationalized status of Aerospatiale was

a factor holding up the process of restructuring the arms industries, and the new group will be a powerful player in the future conglomerate that should combine the aerospace activities of German's Dasa, British Aerospace and both Aerospatiale and Dassault from France," said Eric Cohen, a French government specialist in industrial policy.

The aim of this vast restructuring is a European aerospace and defense company that will pool and downsize Europe's arms makers and unify its military markets. In size, a merger of Europe's top four defense contractors would surpass Lockheed-Martin, but the real challenge is competitive performance.

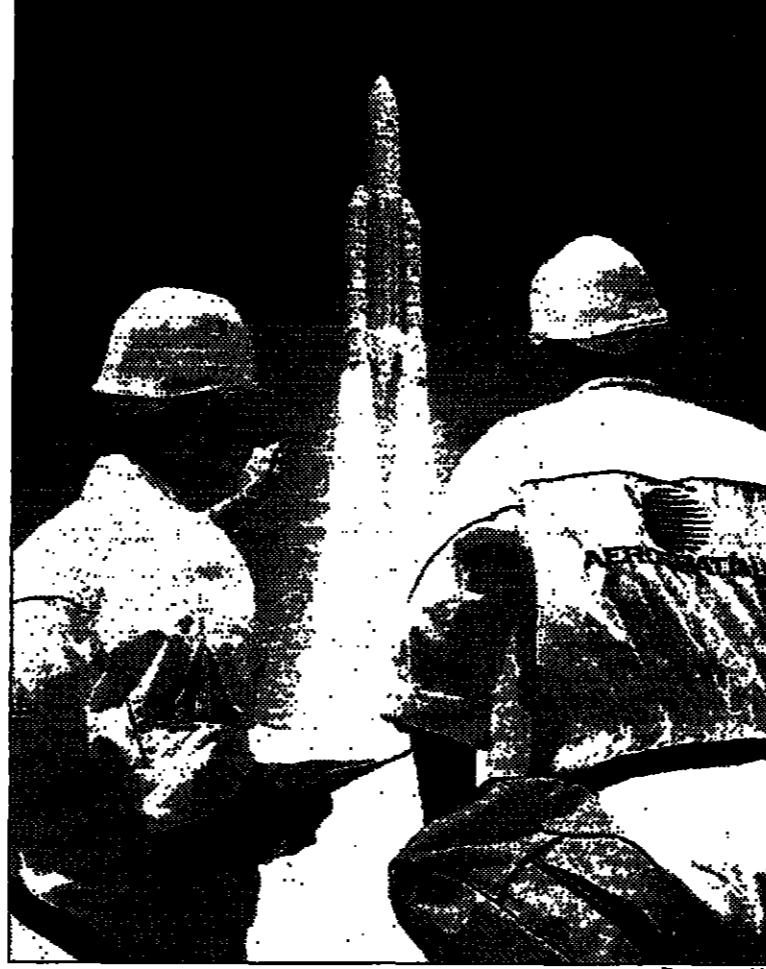
Manfred Bischoff, chief executive of Daimler-Benz Aerospace, says that a European manufacturer must provide the weapons that Europe needs at a cost Europe can afford. That is why he, like John Weston, the chief executive of British Aerospace, believe a European defense industry should only involve private companies without government ownership. Only then, they say, will mergers provide economies of scale as well as tough enough management to rationalize a bloated industry.

Even though the Aerospatiale deal preserved a nominal government role, European aerospace executives said they were heartened by it as evidence of a more realistic attitude in the Jospin government. Last year Thomson-CSF, the country's leading defense electronics firm, was privatized by selling it to Alcatel.

Matra, which lost out on Thomson, offers an outward-looking management that differs from the nationalistic approach traditionally associated with French aerospace. But Matra's new role will strain the resources of its owner, the Lagardere Group, which may have to sell its publishing businesses centered on Hachette.

Jean-Luc Lagardere has finally gained the industrial prominence he has long sought in French defense, but at age 71 when he has already started to hand over leadership to his son, Armand.

Meanwhile, Noel Forgeard, 52, resigned last year as Matra's chief executive to take the top job at Airbus Industrie. The good news for Mr. Forgeard in the Matra-Aerospatiale merger is that his old company will now take charge of France's 37.9 percent holding in Airbus. That change



A launching of Ariane 5, part of Aerospatiale's missile program.

should smooth the process of restructuring Airbus to make it a normal commercial enterprise instead of a loose partnership among Aerospatiale, Daimler-Benz Aerospace, British Aerospace and Casa de Spain.

BRITAIN and Germany, pressing to fuse operations under an independent management, have been infuriated by a rear-guard action waged by Yves Michot, chief executive of Aerospatiale, to prevent his company from being swallowed up in Airbus.

Matra executives, more attuned to British and German ways of thinking, want to push through the corporate makeover at Airbus, partly as a way of prefiguring a future European defense conglomerate.

It may take more time to digest other parts of Aerospatiale, even though Matra sees the two companies as a good industrial fit, especially in missiles. Aerospatiale builds ballistic missiles, including Ariane launchers, for the European space program. It also built France's nuclear missiles until the program was canceled. Its shorter-range missiles include Exocet. They complement the missile

work by Matra, which is stronger in sophisticated electronics and sensors. Aircraft are Aerospatiale's mainstay. Besides Airbus, it manufactures a wide variety of civilian and military helicopters. Matra will be venturing into new territory, especially with respect to Dassault, maker of the Mirage and Rafale fighter-bombers.

Aerospatiale recently took over the French government's stake in Dassault, 47 percent of the company. Dassault is essential to Matra-Aerospatiale's strategy for negotiations on a European conglomerate with British Aerospace and Daimler-Benz, which both build combat aircraft.

While strengthening its hand, Matra could alienate its prospective British and German partners by appearing to seek a position of dominance. Despite the favorable initial reactions to the Matra-Aerospatiale merger, a Matra executive warned late last month that "there remains a risk out there, which I can't quantify but which is palpable, that Germany and Britain will fuse their defense industries in an alliance and exclude France."

JOSEPH FITCHETT is on the staff of the International Herald Tribune.

EU Fears Alliances Foster High Fares

By Barry James

BRUSSELS — Since the deregulation of Europe's airline industry in the spring of last year, has there been a significant impact on prices?

The answer on some routes is little or none, and prices in Europe — with the exception of charter fares — generally remain far higher than in the United States.

Concern that deregulation is not fully living up to expectations has led the European Commission, the executive body of the European Union, to turn its attention to the effect of inter-airline alliances on prices within the 15-nation community.

The problem was brought home when the presidency of the EU switched from Britain to Austria in July and commission officials found out firsthand about the high fares set between Brussels and Vienna by both the Belgian carrier Sabena and Austrian Airlines. It costs more to fly between the two cities than from New York to Los Angeles, or London to New York.

The two airlines belong to the European Quality Alliance, a group that also includes Swissair and Delta Airlines, which has an effective monopoly on the route.

Before the successive stages of European airline deregulation, Sabena and Austrian Airlines carved up the market and set fares according to bilateral government-to-government deals. In theory, deregulation should have seen them competing head-on for passengers. But commission officials say their joint membership in the alliance appears to have eroded any spirit of competition, and the effect is that fares remain as high as the market will bear.

Karel Van Miert, the commissioner in charge of anti-trust issues, recently cited the Brussels-Vienna fare rate as an example of why the commission intends to widen its investigation into the alliances in the coming weeks.

He accused the alliance of setting up a "closed shop" on some routes, and promised that his department would "pay very close attention" to the matter.

The Brussels-Vienna service also tends to be poor, as Austrian Airlines demonstrated when it left behind at Brussels airport about 30 journalists who had been invited to attend ceremonies marking the handing over of the EU presidency. The reason, the airline's officials explained, is that the carrier habitually overbooks its flights. It was just unfortunate for the airline that, this time, somebody noticed.

In theory, there is nothing to stop any other airline based in the EU or the European Free Trade Area from competing on the route. In practice, said Stefan Rating, a spokesman for the commission, the barriers for entry on this, as well as on many other routes, remain high because of the shortage of airport landing and takeoff slots, the pressures on the air traffic control systems and

other factors. Mr. Rating, who travels frequently between Brussels and Barcelona, said prices on that route fell after deregulation but have now climbed back up to their old level.

One measure the commission could take on routes where it deems there is insufficient competition is to oblige existing carriers to make slots available to rivals for a limited period to enable newcomers to get established.

This was the solution it adopted recently in approving the proposed alliance between British Airways and American Airlines, which is expected to control about 60 percent of the trans-Atlantic market if it jumps the remaining regulatory hurdles. The commission said the airlines must make 267 weekly takeoff and landing slots available to rivals at London's Heathrow airport, as well as reducing flight frequencies to three American cities for a six-month period. The relinquished slots must be at convenient

Deregulation on both sides of the Atlantic has led to less rather than more competition.

traveling times, and the commission has ruled out the question of airlines selling the slots they already hold.

The commission also is concerned that airlines are using their frequent flyer programs, which have become a big business in their own right, as barriers to entry by rival carriers. In approving a link between Lufthansa and SAS, it required the airlines to open their frequent flyer benefits to rivals wishing to operate on the most important routes covered by the alliance.

Deregulation has permitted a number of low-cost airlines to take to the skies in Europe, but usually these operate from secondary airports rather than at the hubs, such as Heathrow, which an airline needs to be to compete in the big league.

U.S. watchdogs also are concerned to protect competition against predatory pricing by major carriers that dominate the key hub airports and the potential anti-competitive nature of the big alliances.

Complaints about high prices have poured in from business or "nondiscretionary" travelers. Average U.S. fares have come down 46 percent in real terms since deregulation, but by some estimates full fares have increased by as much as 70 percent on some routes where there is no competition.

Last year, according to American Express Travel Services, prices rose across the board by 9 percent — 11 percent for full fares and 8 percent for discount tickets.

Bills are pending before Congress that would give more landing slots to new airlines at busy airports. The Department of Transportation has proposed new guidelines on "unfair exclusionary conduct by airlines" that would come into

effect if the response by major carriers to competition by new entrants was considered not "reasonable." Unreasonable conduct would include such practices as temporarily adding seats and discounting fares to drive competitors out of business. In addition, the Department of Justice is investigating possible antitrust violations by big airlines.

The proposed tie-up between American Airlines and British Airways has alarmed competing airlines in the United States, where an active anti-alliance lobby has emerged in Washington.

Experts on both sides of the Atlantic agree that the alliances give established airlines a powerful weapon to fend off attacks by potential competitors.

Contrary to predictions, deregulation on both sides of the Atlantic has led to less rather than more competition. The move toward concentration has been greatly accentuated by hub and spoke airline systems that place a premium on dominating a major airport.

Already, more than half the world's jet fleet is operated by just 17 airlines. And more than half of passengers fly on an airline belonging to one of four megairlines.

In short, global alliances are becoming an alternative to mergers in an industry that still is largely fragmented into national carriers and hidebound by government-to-government agreements.

In taking on the alliances, the commission is limited by the refusal of governments to give it a full international negotiating mandate, as it has on general trade matters. For example, the commission has been unable to prevent member countries from concluding "open skies" agreements with the United States, which Washington demands as the price of access to American airports.

Commission officials argue that the agreements make it possible for American carriers to extend their hub and spoke system to Europe, while keeping their domestic networks off-limits to European carriers.

Worse, the officials say, the open skies agreements stifle competition in Europe by stipulating that only certain airlines can fly on certain routes. For example, the bilateral agreement between Germany and the United States forecloses access to non-German or non-American carriers, making it impossible for other European carriers to compete on trans-Atlantic routes originating or terminating in Germany.

Mr. Van Miert's department is determined to challenge the open skies agreements in the European Court of Justice.

In deregulating the European air space, the commission has established a level playing field in theory. Certainly prices have come down and services have improved on many routes, and there is more choice of destinations. But as the Brussels-Vienna example shows, full-fare passengers in Europe as in the United States do not appear to reap the full benefits of deregulation on routes where competition does not exist.

Engine Makers Feeling Heat

Drop in Demand Intensifies Competitive Pressures

By Tom Buerkle

LONDON — The business of supplying engines to the world's commercial aviation industry has always been a cutthroat one, but several forces look set to intensify the competitive pressures among the three main players.

The drop in demand for wide-body jets because of the economic crisis in Asia, the biggest market for wide-bodies, has aggravated the competition to power the Boeing 777.

General Electric Aircraft Engines, Pratt & Whitney and Rolls-Royce Pic are all believed to be losing big money in this segment, the area with the most brutal three-way competition. Some analysis question whether General Electric will stick with its GE90 engine, currently the No. 3 entrant, especially if British Airways Pic switches from the GE90 to the Rolls-Royce Trent for its latest order of as many as 32 777s.

The weakness in demand for wide-bodies also has shifted attention back to the market for single-aisle aircraft, which are expected to account for 60 percent of the 15,000-odd commercial airplanes likely to be ordered in the next 20 years. Here Pratt & Whitney, a division of United Technologies Corp., has stirred the industry by announcing plans to develop two new engines, a move that could signal the demise of its partnership with Rolls-Royce in the International Aero Engines AG consortium.

"We're not happy with our market share in the narrow-body segment," said Robert Leucar, senior vice president in charge of commercial engine programs at Pratt & Whitney.

Meanwhile, continued cost-cutting in the airline industry is pushing engine makers to improve the efficiency and reliability of their products, and to take on more of the work of servicing them. "Reliability and cost of purchase are the drivers today," said Rick Kennedy, a spokesman for GE Aircraft Engines. Airlines "want something they can just put the key in and it starts every day."

GE is pushing hard on this front. At CFM International, the joint venture between GE and France's Snecma that dominates the single-aisle sector, engineers are seeking to reduce the number of engine parts and to raise fuel efficiency. The aim, said President Robert Leduc, is to lower the cost of ownership by 15 percent to 20 percent by the year 2000.

GE Engine Services, meanwhile, has built up a leading position in engine overhaul and maintenance, reflecting the increasing emphasis on service revenues at all General Electric Co. divisions. GE acquired two U.S. engine service companies last year, UNC and Greenwich Air Services, and established servicing joint ventures with Malaysian Airline Systems and Taiwan's Eva Airways. Service and spares will be worth about \$5 billion this year, or 40 percent of total revenues at GE Aircraft Engines, with about half of that coming from services.

Pratt & Whitney also plans to have a service capability on every continent.

Service revenues are expected to hit \$1 billion this year.

The competitive pressures have revived debate about potential consolidation among the big three engine makers. After all, there are only two main airplane makers left since Boeing Co.'s purchase of McDonnell Douglas.

In March, Rolls-Royce and Pratt & Whitney clashed verbally over a potential merger. Sir Ralph Robins, the chairman of Rolls, was reported as saying the company would insist on controlling any combined entity, a condition that Pratt's chairman, Karel Kapek, said would prevent any deal.

Rolls is in a position to be demanding, coming off its best year ever. It took 34 percent of the orders in the segments where it competed in 1997, up from 20 percent the previous year.

It won \$4 billion of orders for its Trent 500 for the new Airbus A340, where it is sole supplier; and its BR715, built in collaboration with BMW, was chosen as the sole engine for the 717, Boeing's new entry in the 100-passenger jet class. Militarily, Rolls participates in the consortium to power the Eurofighter and is guaranteed a significant stake in the engine for the U.S. joint-strike fighter, whether GE or Pratt wins the main contract.

The market is large enough to sustain three manufacturers, what with airlines expected to order more than \$300 billion worth of engines and spares over the next 20 years, said Peter Barnes Wallace, a spokesman for Rolls. But the trend toward having one or two engine suppliers for each aircraft is likely to continue.

Pratt & Whitney, meanwhile, is struggling to regain its former dominance. It has the most engines in service — some 15,000 globally — but many of them are old DC-9s and 727s that are rapidly being decommissioned. Pratt, like Rolls, has a 32.5 percent stake in International Aero Engines, which has sold more than 400 V2500 engines this year for the Airbus single-aisle family, the A319, A320 and A321. But that pales next to the 1,300 engine orders that CFM International projects for its CFM56, the sole engine on the Boeing 737. Pratt has a two-pronged strategy for winning back market share, beginning with plans to develop a PW6000 engine for 100-seat jets.

Mr. Leduc said the company hopes Airbus will give the go-ahead at Farnborough to a 100-seat version of the A319, creating a potential market for the engine. Pratt also has announced plans to develop a PW8000 for what it hopes will be a new generation of long-range A320s. If Airbus goes ahead with that aircraft sometime after 2000, it could force Boeing to respond and give Pratt a chance to get its engines back on the 737. Mr. Leduc said.

The strategy contains a lot of ifs, however, and some analysts doubt whether the engines will be built.

TOM BUERKLE is on the staff of the International Herald Tribune.

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Emerging Markets: Seeking Value in Selected Countries

By Jonathan Fuerbringer
New York Times Service

NEW YORK — Emerging markets are on hold.

After a decline that has seen the Morgan Stanley Capital International index of emerging markets plummet 33 percent since mid-July, even the "attractive" values that are peeking through the wreckage at Salomon Smith Barney.

Consider Telebras, the Brazilian telephone company. In July, the Brazilian government sold its controlling share to the public at a price well above forecasts. Now the stock is down 52 percent since July 30.

William Sterling, the global strategist at BEA Associates, an investment management firm, acknowledged that the plunge makes Telebras tempting.

"The valuations are incredibly attractive now," he said. "Typically, when markets have been this cheap, they have outperformed over the next several years."

Even so, BEA is keeping its powder dry. "The fundamentals are so unsettling at the moment," Mr.

Sterling said, "it's easy to see good values going down even more."

In an environment like this, tip-toeing through the next couple of months will be tricky for investors. "It is difficult to know whether this market is damaged permanently or just for the next six months," said Desmond Lachman, head of emerging-markets economic research at Salomon Smith Barney.

Mutual fund investors may not be panicking yet, but they are pulling some money out of emerging

INVESTING

markets, most recently in Latin America. Many fled Asia long ago. If developments scare investors even more, that will just add to the downward pressure on markets from Thailand to Indonesia, Russia to Hungary and Mexico to Brazil.

Total assets are down 25.5 percent this year for the emerging-markets funds that supply information to AMG Data Services.

Of this decline, one-fifth is a result of investor withdrawals. But the money is flowing out much faster from Latin American funds, where

the average rate of weekly withdrawals since June is three times that from Asia and Pacific funds. And emerging markets still face tremendous problems that could set off more selling, such as devaluations, currency controls, and a slump in commodity prices.

This means investors need a new approach.

Throwing moeey at emerging markets as a broad group is not advisable, analysts say. In fact, the Morgan Stanley emerging-markets index has fallen in three of the last four years and is down 42 percent this year.

Choosing countries carefully will be important, especially those that are not well-known, analysts say. This includes checking where a mutual fund actually has invested, not just relying on the fund's name.

When emerging markets begin to turn around, the profits, several analysts said, will come from owning the right companies selected not only by their strength at home but also by how they match up with their competition around the world.

Latin America is still the key to the overall outlook. Many analysts

fear that deepening problems in Russia and Asia will force Brazil to devalue its currency, the real. Devaluation would probably set off another wave of selling.

"The contagion has been savage," said Christopher Alderson, who is in charge of emerging markets at Rowe Price Fleming in London.

But Joyce Cornell, lead portfolio manager of the Scudder Emerging Markets Growth fund, is guardedly optimistic about emerging markets.

"I think we are going to look back on this period as a wonderful buying opportunity," she said.

But though she is doing some buying in Mexico, including stocks like Fomento Economico Mexicano, the large beverage company known as Femsa, she is avoiding riskier countries such as Brazil.

Brazil is also off-limits, in Mrs. Cornell's view.

"Asia is not worthy of much serious investment for some time, and I mean a long time," she said.

A region that should do well, Mrs. Cornell said, is Central Europe, including Poland and Hungary, despite the fact that markets there have

all been down this year.

Although the countries are situated close to Russia, she said, their main trade links are with the European Union.

She also likes the Middle East, including Egypt (down sharply) and Israel (off less), and some countries that get even less attention, like Ghana and Morocco.

The Moroccan stock market has posted gains during the recent crisis, and Ghana has held steady; each is up significantly in dollar terms for the year.

"That gives you a lot to choose from," she said, even if her list omits the big-name emerging markets.

Still, times are tough, even for savvy investors who steer clear of the craters. Mrs. Cornell never had any money in Russia, and she made an early exit from Asia, meanwhile turning up winners in the outback of emerging markets.

She got a lift from Portugal, which is up 31 percent this year and is still classified as an emerging market for a few more months even though it will join Europe's single currency in January.

CAPITALISM: Global March Stymied?

Continued from Page 13

Clinton administration officials, while alarmed about the recent turn of events in Russia, profess to see Malaysia's move as less of a threat to the economic model. They say that Malaysia's economy will undergo an even more wrenching downturn as the inflow of foreign money dries up in response to restrictions on taking capital out.

"Malaysia's going to provide a good negative example to everybody, and in that sense what they've done may turn out to be a constructive contribution," a senior administration official said.

So far, however, Malaysia's stock market, after gyrating wildly, has posted gains since the controls were imposed. A number of economists have acknowledged that the country may be making a sensible trade-off — a lower chance for strong growth over the long term, in exchange for lower vulnerability to crippling withdrawals of funds from abroad.

Even Britain's staunchly free-market Financial Times editorialized this week after Mr. Mahathir's move that capital controls, though "dirty words in today's economic orthodoxy," must be

French Executive Sees Airbus Delay

Bloomberg News

ROTHERWICK, England — The transformation of Airbus Industrie into a single entity will take six to nine months longer to complete than planned, according to the chairman of Aerospatiale SA, one of four partners in the European partnership.

The aerospace executive, Yves Michot, attributed the delay in meeting the Jan. 1 deadline to the "complicated" nature of assembling assets from four separate companies and satisfying the different interests of the four partners. He was speaking in Rotherwick, near London, before the Farnborough Air Show that begins Monday.

On Thursday, British Aerospace PLC, another Airbus partner, said it preferred to postpone the creation of an Airbus corporation until Europe's defense and aerospace companies had first formed one large company grouping all civil and military assets.

RULES: Markets Cope With the End of the 'Too Big to Fail' Era

Continued from Page 1

market value their holdings of Russian government foreign-currency bonds. These securities are trading at 10 cents on the dollar in anticipation that Russia will default.

Another possibility is that the banks had behaved cautiously and hedged their operations in Russia with domestic banks that are now effectively bankrupt.

The third possibility is that the banks succumbed to the siren of interest rates as high as 140 percent and lent money in exchange for short-term debt denominated in rubles on the conviction that it was a safe investment because the International Monetary Fund, operating under instructions from the G-7, would never allow Russia to go bust.

Emphasizing that no details have been furnished on how the losses were incurred, a central banker, asking to

remain unidentified, said that it would not have been "reckless" of Western lenders to assume "that Russia's banks would be protected. But even so, everyone knew the Russian banks were pure speculators."

As for the possibility that Western banks were lending unhedged in rubles, the official said: "I would find it very strange behavior."

Meanwhile, events have amplified investors' anxieties about the inviolability of a rules-based financial system. The rules suddenly changed in Hong Kong, where the Monetary Authority began using its reserves to prop up local stock prices in a maneuver to thwart speculation. And the rules were changed in Malaysia, which isolated itself with capital controls.

As a result, there is now under way a global redefinition of risk and a reassessment of how that risk should

be valued. Until the reassessment is completed, asset prices are certain to remain highly volatile.

"We're witnessing a fundamental repricing of risk," said John Lewellen at Lehman Brothers. "Spreads had gone quite narrow and won't get back to where they were for a very long time, if at all."

He added: "We're in a new world, a riskier world, where the IMF couldn't and the G-7 wouldn't play the role of

lender of last resort on a global scale. The rules of the game changed suddenly, without notification."

And so the crisis now infects the foreign-exchange market. The dollar ended last week down 6 percent at 133.57 yen, its lowest level since May. In Europe, the dollar hit lows not seen since November, ending at 1.7345 DM and 1.4198 Swiss francs.

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Meanwhile, events have amplified investors' anxieties about the inviolability of a rules-based financial system. The rules suddenly changed in Hong Kong, where the Monetary Authority began using its reserves to prop up local stock prices in a maneuver to thwart speculation. And the rules were changed in Malaysia, which isolated itself with capital controls.

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SPORTS

Soccer's United May Be Sold To Murdoch

Reuters
LONDON — Satellite broadcaster BSkyB, which is 40 percent owned by the media magnate Rupert Murdoch, confirmed Sunday that it was in discussions with the Manchester United soccer club that could lead to a takeover bid.

Earlier, the Sunday Telegraph said that Sky could offer up to £257 million (\$359 million) for the most famous club in the English Premier League.

"The Board of British Sky Broadcasting Group PLC has noted the recent press speculation and confirms that it is in discussions which may or may not lead to an offer being made for Manchester United PLC," the brief statement said.

BSkyB has held exclusive rights to broadcast the Premier League, contested by the country's leading 20 teams, since its inaugural season in 1992-93.

Two years ago, it paid £647 million to renew those rights until 2001.

A statement from United mirrored the BSkyB statement.

"The board of Manchester United has noted the recent press speculation regarding the company and confirms that it is in discussions with British Sky Broadcasting Group PLC which may or may not lead to an offer being made for the company. A further announcement will be made in due course."

A spokesman for United, which is being advised by HSBC investment bank, said that any decision by the club would be made with the interests of shareholders, supporters, players and staff.

Sports Minister Tony Blair, a keen soccer fan, said he was worried that a takeover of Manchester United, one of the wealthiest sports clubs in the world, would give Australian-born Murdoch too much dominance of soccer and its broadcasting.

Murdoch bought the Los Angeles Dodgers baseball team earlier this year, and through his Fox television network, he owns shares in the New York Knicks in basketball and the New York Rangers in hockey.

He also owns a sizable chunk of Britain's national press, including the top-selling Sun tabloid, its Sunday equivalent, the News of the World, and The Times.

United is one of English soccer's most successful clubs. It has won the Premier League four times in the six seasons it has existed and was champion seven times of the first division, the former competition for top-flight teams.

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Judy Neugros/Bettman
France's Robert Pires shooting toward Iceland's goal as the world champions were held to a 1-1 draw in Reykjavik.

Iffy Goal Lifts Czechs Over Faroes

French World Cup Champs Play Well but Are Tied by Iceland, 1-1

Compiled by Our Staff From Dispatches

The Czech Republic had a player sent off but managed to beat the Faroe Islands, 1-0, on Sunday with a controversial late goal in their European championship qualifier on Sunday in Torfir, Faroe Islands.

It was the third straight defeat in group nine for the Faroes, and the first match for the Czechs in chilly weather

EUROPEAN SOCCER

and heavy fog on the north Atlantic archipelago.

French referee Juha Hirvonen considered calling off the match at half-time because of the thick mist enveloping the Torfir pitch.

In the 84th minute, Czech defender Pavel Nedved earned his second yellow card and was sent off for protesting to the referee.

Moments later, RC Lens striker Vladimir Smicer put the guests ahead, scoring from a cross from the right.

The Faroese side had intentionally

played the ball over the sideline with one player lying injured. They had expected to recover the ball from a "fair-play" throw by their opponents.

France 1, Iceland 0 In Reykjavik on Saturday, France dominated its first competitive match since defeating Brazil, 3-0, in the World Cup final, but was frustrated by a rugged Icelandic team.

Against the run of play, the home team took a shock lead in the 33rd minute thanks to an error by World Cup hero Fabien Barthez.

From inside the Iceland half, Runar Kristinsson pummeled a harmless-looking free kick toward the edge of the France penalty area, but Barthez sprinted to a ball that he never looked like reaching and Richardson Dadason headed into an empty net.

In the 36th minute, Zinedine Zidane left Kristinsson dazed with a superb piece of ball control on the left edge of the penalty area and crossed to Robert Pires. Goalkeeper Birirk Kristinsson did well to push Pires's left foot shot onto a post, Roy Keane made it 2-0 in the 15th after the Croats failed to clear a Damien Duff corner.

Lithuania 0, Scotland 0 At home in Vilnius, Lithuania exerted all the pressure but failed to turn its dangerous attacking chances into three points.

Scotland's 40-year-old goalkeeper, Jim Leighton, rescued his team with a reflex-action save in the 22nd minute as Edgarras Jankauskas went close to finishing off a Lithuania free kick on the edge of the goal box.

Wales 0, Italy 2 In Liverpool, Wales played a part in Italy's first goal in the 19th minute with an ill-directed free pass from defender Chris Coleman.

Coleman failed to clear near the Welsh goal and lost the ball to Diego Fuser, who kicked into the empty net from an angled position.

Belarus 0, Denmark 0 In Minsk, the highly favored Danish team failed to score a goal against Belarus in front of 30,000 spectators at Dinamo Stadium.

Danish striker Martin Jorgensen had the best chance with a one-on-one duel with goalkeeper Andrei Satsukovich in the 53rd minute.

Ukraine 3, Russia 2 In Kiev, in front of 80,000 supporters, Ukraine held off a late charge by Russia to score a stunning victory over its biggest soccer rival.

Austria 1, Israel 1 In Vienna, Israel surprised Austria with a 69th minute equalizer despite playing the bulk of the second half with 10 men. (Reuters, AP)

British Fans Riot Again

Reuters

STOCKHOLM — Swedish police arrested about 15 English soccer fans on Saturday night for drunkenness and various other offenses including rioting and assault after the English national team's 2-1 loss to Sweden.

Most arrests were made in the Stockholm city center as fans drowned their disappointment in alcohol, but police with dogs and on horseback were also called into action when trouble flared at the stadium after the match.

The match, a European championship qualifier, came three months after British soccer fans created trouble during the World Cup in France, rioting for three days in Marseille and causing various other isolated incidents.

A police spokesman, Ulf Goransson, said the police had tried to keep the two sets of fans apart, allowing the Swedish supporters to leave central Stockholm's Ranson Stadium first.

A gang of 50 to 100 British supporters smashed windows in corridors high above the ground, sending glass showering down onto departing spectators. They also hurled chairs and tables through the smashed windows.

Witnesses at the stadium also reported English fans urinating on Swedish supporters below them.

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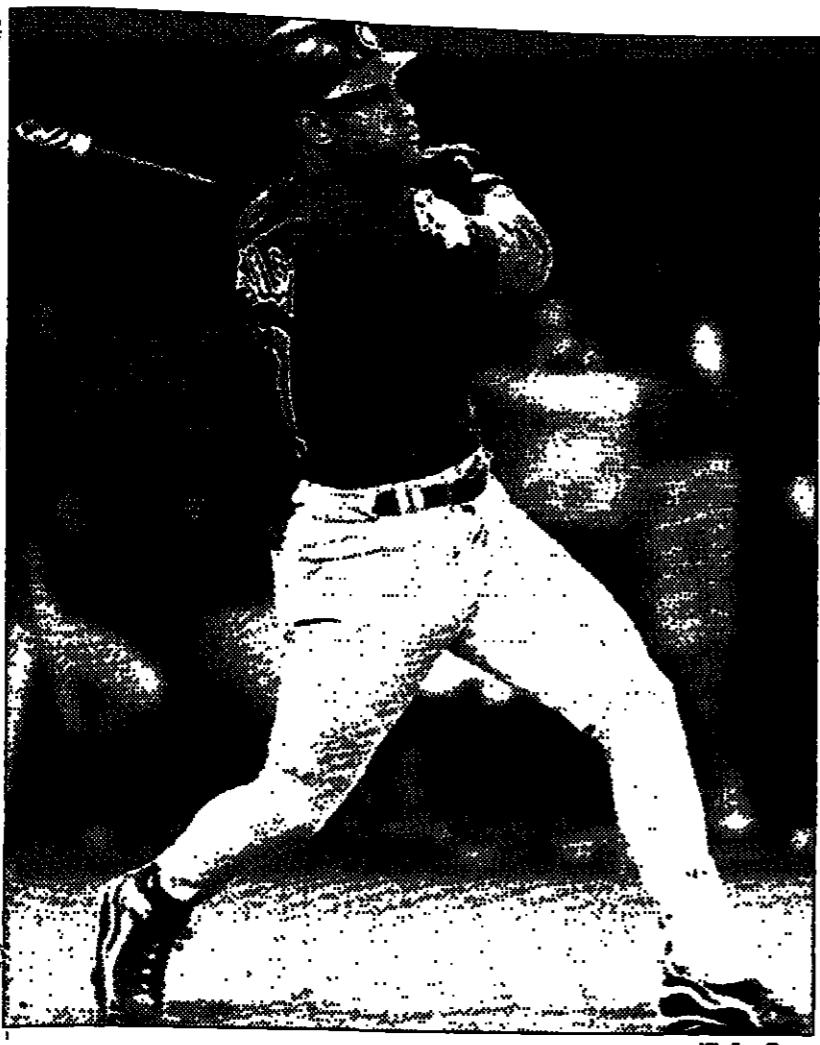
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SPORTS



Sammy Sosa belting his 58th home run during a game in Pittsburgh.

McGwire Ties Ruth at 60, and Sosa Hits 58th

Cardinal 2 Shy
Of Record With
21 Games to Go

By Richard Justice

Washington Post Service

ST. LOUIS — Continuing a fast and fierce assault on a record once believed to be untouchable, the St. Louis Cardinals slugger Mark McGwire used his first swing of the game to deliver his 60th home run and match baseball's greatest slugger, Babe Ruth.

Only Roger Maris had more home runs in a single season — 61 — than Ruth hit for the New York Yankees' "Murderer's Row" of 1927.

Ruth hit his 60th on the final day of the 154-game season. In 1961, Maris hit his 60th on Sept. 26, the 159th game of the 162-game season.

Now, with 21 games remaining, McGwire has reached the magical number of 60 — the goal of every power hitter for the last 71 years — quicker than either of them. He seems overwhelmed by comparisons to Ruth.

"Babe Ruth — what can you say?" McGwire said. "Geez, I mean it almost makes you speechless when people put your name alongside his name. I wish I can go back in time and meet him. I mean, obviously, he was the most important

sports figure in the world of that time. Hopefully, someday when I pass away, I get to meet him and then I can really find out what he was really like."

In the 129-year history of major league baseball, no one else had seriously challenged the Ruth-Maris records until McGwire hit 58 last season.

Now, he seems destined to pass Ruth and Maris and set a new slugging standard.

With McGwire near his 61st home

run, Maris' wife and children decided to be in Busch Stadium for Sunday afternoon's game against the Cincinnati Reds. The Fox network announced Saturday that although Sunday was opening day for the National Football League, it would televise the game to 80 percent of its viewership. The other 20 percent would have to watch an NFL game and wait for updates.

McGwire has hit 13 home runs in his

last 18 games. Saturday afternoon, he

tried to hit No. 61. While almost no one noticed, the Reds and Cardinals did play

a game, and the Cardinals won, 7-0.

Fans had given McGwire a long,

warm standing ovation as he came to bat

in the first inning, and perhaps hoping to

get a better view at every historic swing,

they remained on their feet throughout

the at-bat. After he crossed home plate

and playfully traded punches with a

teammate, Brian Jordan, he returned to

the dugout, only to be summoned back

on the field to acknowledge a roaring,

high audience.

"I want to enjoy it," McGwire said

of the chase. "I don't know if I'll ever be

in this position again."

The ball game is now carry an infrared code so that if

when McGwire launches one into the

stands, Major League Baseball officials

can verify it as the ball actually hit. Fans

who caught the last few McGwire home

run balls have returned them to the slug-

ger, but officials want to guard against

fans bringing balls into the stadium and

then claiming their ball was the historic

60th, 61st or — especially — 62d.

In a strange coincidence, that McGwire hit out of the park Saturday

carried the infrared code "3" — Ruth's

number during a career in which he hit

714 home runs and changed the way

people thought about a game that seemed

to be dying in the early part of the 1920s

in the wake of the Black Sox scandal for

throwing the 1919 World Series.

No sooner had a crowd of 47,994

settled into their seats Saturday than Mc-

Gwire took a pair of high fastball from

the Cincinnati Reds right-hander Dennis

Reyes in the bottom of the first inning.

But when Reyes threw a third fastball

a few inches above the knee, McGwire

swung viciously and hammered a towering

fly ball into the left field seats.

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Herald Tribune INTERNATIONAL SPORTS

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MONDAY, SEPTEMBER 7, 1998

WORLD ROUNDUP

German Is Victor In Masters Playoff

GOLF Sven Struver of Germany won the first hole of a playoff over Sweden's Patrik Sjoland on Sunday to win the European Masters golf tournament in Crans-sur-Sierre, Switzerland.

Struver, who began the day four shots back of the Swede, nailed down the victory when he birdied the first extra hole, draining a pressure-packed four-foot putt on the tricky par-4 18th.

Minutes earlier, Struver had sunk an almost identical putt on the same hole to set up the playoff.

The 31-year-old German carded a final round 5-under 66, while Sjoland, the leader after three rounds, struggled to a 1-under 70. (AP)

TVM Cyclist Wins Stage

CYCLING Jeroen Blijlevens of the Netherlands and the TVM team won the second leg of the Tour of Spain on Sunday, a grueling 234-kilometer trek from Cordoba to Cadiz.

Markus Zberg of the Post Swiss team and Switzerland, who won the first leg on Saturday, maintained his overall lead, followed by Laurent Jalabert of France and ONCE-Descubra Bank and Guillano Figueras of Italy and Mapei.

Blijlevens covered Sunday's leg in 6 hours, 30 minutes and 24 seconds. It was the longest of the 22 stages that make up the tour. After a sprint finish, second place went to Giovanni Lombardi of Telekom, and third to Australia's Robbie McEwen of Rabobank. (AP)

Tottenham Fires Coach

SOCCER The fired manager of the Tottenham soccer club in London, Christian Gross, said Sunday he had been forced to leave the Premier League team prematurely after only 10 months in charge.

Gross, whose sudden departure was announced in a Tottenham statement on Saturday, called a press conference Sunday, where he said he should not have been judged after three games this season.

"I didn't go, I had to go," Gross said. "I am disappointed, but for me the months I have spent in England have been a success. I came in at a difficult time when the situation was really serious, and the fact we avoided relegation was a big success."

Tottenham struggled to avoid relegation last season and then conceded six goals in losing its first two games this season before a 1-0 victory over Everton in Liverpool last week. (AP)

For the Record

BOXING Richie Woodhall retained the World Boxing Council super-middleweight title when he narrowly outpointed his fellow Briton Glenn Catley on Saturday in Telford, England. (Reuters)

Hingis and Seles Outlast the Wind and Determined Foes



Richard Drew/The Associated Press

Kafelnikov and Henman Advance to 4th Round

Compiled by Our Staff From Dispatches

NEW YORK — Martina Hingis and Monica Seles survived the swirling winds and determined opponents Sunday to reach the women's singles quarterfinals at the U.S. Open.

Seles, the No. 6 seed, outlasted fellow American Kimberly Po, 6-2, 4-6, 6-3, in a fourth-round match at the National Tennis Center. It was the Day 7 opener in Arthur Ashe Stadium.

A petulant Hingis, bouncing her racket on the court several times in anger, followed with a 6-4, 6-4 victory over Nathalie Dechy of France, 6-4, 6-4.

"There's no other Grand Slam with so much wind," Seles said. "It's not fair to the players. We've played in wind, but this is wind. It moves the ball two meters."

"It made me tentative. Every ball you're hitting has to be 100 percent, and I wasn't today, for sure."

Yevgeni Kafelnikov, the No. 11 seed from Russia, and No. 13 Tim Henman of Britain advanced to the men's fourth round.

Kafelnikov defeated Germany's Nicolai Kiefer, 6-4, 6-0, 6-2, and Henman downed qualifier Michael Kohlmann of Germany, 7-5, 7-5, 1-6, 6-4.

Coming off her fourth consecutive Canadian Open title, Seles came into the year's final Grand Slam tournament as one of the favorites. Po, however, had other ideas.

She kept the pressure on Seles for the entire match, reaching break point time and time again during the three sets. But she wasn't able to convert as Seles ran out to a 6-2, 4-1 lead.

Then Po's shots, which had been sprayed all over the court, started finding the corners and the angles. She

ripped off the next six games to level the match and take a 1-0 lead in the third set.

Seles finally broke Po in the fifth game when she whipped a sharply angled backhand crosscourt that nipped the left sideline. When she broke Po's service again, in the ninth, it closed out the match.

Seles also broke four rackets during the match.

"I took them right from the stringing and the air-conditioning, and I think it was too much for them," said Seles, who heard them crack as they broke.

"I have two rackets left," she said, adding that at this pace, "I better call

Yonez immediately."

On Saturday, Andre Agassi breezed to victory over Davide Sanguineti, fog-lowering a 13-minute, 5-0, triumph by fifth-seeded Venus Williams over an injured Larisa Neeland of Latvia.

"Both matches combined were like an hour and 15 minutes — phenomenal," said Agassi.

"I felt rather rushed," he said. "I didn't enjoy that at all."

Agassi suited and sneaked up in a flurry and disposed of the 50th-ranked Italian Sanguineti in such a hurry himself, 6-2, 6-3, 6-0, that the main stadium was left without a feature match by midafternoon. (AP, NYT)

U.S. OPEN

LATE FRIDAY IN NEW YORK

MEN'S SINGLES

Magnus Larsson, Swe., def. Nicola Philippouli, Eng., 6-3, 6-2; Michael Kohlmann, Ger., def. Arnaud Di Pasquale, Fr., 7-5, 6-4, 6-4.

Monica Rial, Cl., Chile, def. Giorgio Gemmilli, It., 6-2, 6-7 (6-7), 6-2, 6-2; Yevgeni Kafelnikov, Rus., def. Magnus Larsson, Swe., 6-3, 6-2, 6-7 (5-7), 6-3.

Thomas Johansson, Swe., def. Hendrik Dreeckman, Ger., 2-6, 7-5, 6-2; Lucas Arnold, Arg., def. Bernd Korbach, Ger., 7-5, 3-6, 6-2, 6-3.

Geoff Gruen, U.S., def. Andrei Medvedev, Ukraine, 4-6, 6-3, 7-6 (7-4); 6-4; Carlos Moyà (10), Sp., def. Michael Chang, Chong, 6-3, 7-5, 1-6, 6-4.

WOMEN'S SINGLES

TUESDAY RESULTS

Steffi Graf (8), def. Mirjana Lucic, Cro., 6-1, 6-1.

Kimberly Po (1), def. Dominique Van Rooy, (14), 6-4, 6-4, 6-2.

Marina Hingis (1), Swe., def. Amelie Mauresmo, Fr., 4-6, 6-2; 6-2; Irina Spirina (9), Rom., def. Serafin Williams, U.S., 6-3, 6-2, 7-5.

SATURDAY RESULTS

MEN'S SINGLES

TUESDAY RESULTS

Patrick Rafter (3), Aus., def. David Nalbandian, S. Afr., 6-1,

6-1, 6-1; Jonas Björkman (12), Swe., def. Fabrice Santoro, Fr., 6-3, 6-1, 6-2; Goran Ivanisevic (14), Cro., def. Paul

Hornak, Neth., 7-6 (7-5), 6-3, 6-4; Andre Agassi (10), U.S., def. Davide Sanguineti (13), 6-2, 6-3, 6-4.

Monica Seles, Swe., def. Thomas Muster, Austria, 4-6, 4-1, 6-3, 6-2; Steffi Graf (10), def. Alison Riske, Rom., 6-3, 6-2.

Ivan Stoenescu, Neth., def. Greg Rusedski, Br., (8), 6-4,

6-4, 5-7, 6-2, 6-4; Petra Sampras (1), U.S., def. Milorad Tillstrom, Swe., 6-2, 6-3, 6-1.

WOMEN'S SINGLES

TUESDAY RESULTS

Amanda Coetzer (13), S. Afr., def. Barbara Schett, Austria, 3-6, 6-2, 6-3; Venus Williams (5), U.S., def. Latvian, Larisa Neeland, 6-4, 6-2.

Yevgeny Kafelnikov (10), Fr., def. Henk Kneijer, Neth., 6-2, 6-3; Nathalie Tauziat (10), Fr., def. Henrieta Nagyova, Slovakia, 6-1, 6-1.

Lindsay Davenport (2), U.S., def. Virginia Ruano-Pascual, Sp., 6-2, 6-2; Anna Kournikova (15), Rus., def. Steffi Graf (10), 6-1, 6-1.

Mary Pierce (12), Fr., def. Laura Gómez, Ital., 6-1, 6-0; Conchita Martínez (7), Sp., def. Lisa Raymond, U.S., 3-6, 6-2.

SUNDAY RESULTS

MEN'S SINGLES

TUESDAY RESULTS

Tim Henman (13), Brit., def. Michael Kohlmann, Ger., 6-3, 7-5, 1-6; Yevgeny Kafelnikov (11), Rus., def. Nicolas Kiefer, Ger., 6-4, 6-2.

Monica Seles (4), U.S., def. Kimberly Po, U.S., 6-2, 6-4; 6-3; Jana Novotna (3), Czech R., def. Irina Spirina (9), Rom., 6-3, 6-2.

Marina Hingis (1), Swe., def. Nathalie Dechy, Fr., 6-4, 6-4.

MVP Favre and Packers Shut Down MVP Sanders and Lions

The Associated Press

In the first matchup of reigning MVPs in National Football League history, Brett Favre's Green Bay Packers beat Barry Sanders' Detroit Lions, 38-19, on Sunday in Green Bay, Wisconsin.

Or was it Roell Preston's Packers over Terry Fair's Lions?

Sanders' streak of 14 consecutive regular-season 100-yard rushing games came to an end as he gained 70 yards in 17 carries. Favre had a workmanlike 23-for-31 for 193 yards and a touchdown before hooking up with Antonio Freeman for an 84-yard TD toss with 1:53 left. Sanders and Favre shared the MVP award last season on a tie vote.

But the kick returners stole this show. Detroit's Fair returned a kickoff 101 yards for a touchdown as the third quarter expired, and Preston promptly replied with a 100-yard TD return to restore the fourth quarter.

Preston matched the magic with a return that began with him winding through tacklers and ended with him gyrating to the fans and diving into the end zone.

Favre's 21-yard pass capped an 18-play, 85-yard drive capped with a 6-yard touchdown pass to Freeman over cornerback Bryan Westbrook with 17 seconds left in the third quarter.

The Lions answered in a flash. Fair returned the kickoff 101 yards and the Lions were down just 24-19 entering the fourth quarter.

Fair returned a kickoff 244 yards and Preston returned four for 163.

The Packers have won 28 straight games at Lambeau Field, including four playoffs.

Doing exactly what the Vikings drafted him to do — go deep — Moss became the first rookie in team history with two

TDs in his first game. Brad Johnson also matched a career high with four TD passes to help give the Vikings the early edge over the Buccaneers in the NFC Central.

Tampa Bay, regarded by many as the Packers' main challenger entering the third quarter, Emanuel, who signed as a free agent for \$16.4 million in the off-season, caught seven passes for 98 yards.

Steelers 20, Ravens 13 Kordell Stewart scored Pittsburgh's first touchdown after Baltimore botched a punt and the visiting Steelers took advantage of the Ravens' shoddy kicking game.

The Ravens' quarterback Jim Harbaugh left for good midway in the second quarter after hyperextending the ring finger on his right hand. The injury apparently occurred when he hit the ground after being hit by Carnell Lake.

His backup, Eric Zeier, threw a 64-yard touchdown pass to Jerome Lewis with 2:43 left to bring Baltimore to 20-13. But a 68-yard punt by Josh Miller left the Ravens at their 4 with 27 seconds left.

Seahawks 38, Eagles 0 The ex-Eagle Rickey Watters, returning to Veterans Stadium with the Seattle Seahawks, wasn't even the focal point in his team's victory over Philadelphia — the worst opening loss in Eagles history. He took a mini-victory lap before the game, hugged a few of his former teammates and got a good look at why leaving Philadelphia might have been his best move yet.

The Bucs also lost receiver Bert Emanuel with a sprained left ankle early in

yards receiving and scored two touchdowns as the Seahawks handed Philadelphia its first shutout in a home opener since 1941.

Fans who packed Veterans Stadium to boo Watters, who left the Eagles as free agent after three years in Philly, lost interest in a hurry.

Falcons 15, Panthers 14 Overcoming a Carolina defense that recorded six sacks and kept him on the run much of the game, Chris Chandler threw for 268 yards and two touchdowns as visiting Atlanta triumphed over the Panthers.

Atlanta was 7-3 last season when Chandler, who has been bothered by concussions, finished games he started. The Falcons were 0-6 when he wasn't around at the end.

He completed 17 of 32 passes against Carolina, helping the Falcons win their road opener for the first time since 1986.

Atlanta converted one interception and two Carolina punting miscues into 12 points, dooming the Panthers to their fourth consecutive home loss.

Kevin Greene, returning to Carolina after a one-year absence, had three sacks while operating against rookie tackle Ephraim Salaam, but the rest of the Panthers were unable to generate much.

Joey Galloway had a career-high 142

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